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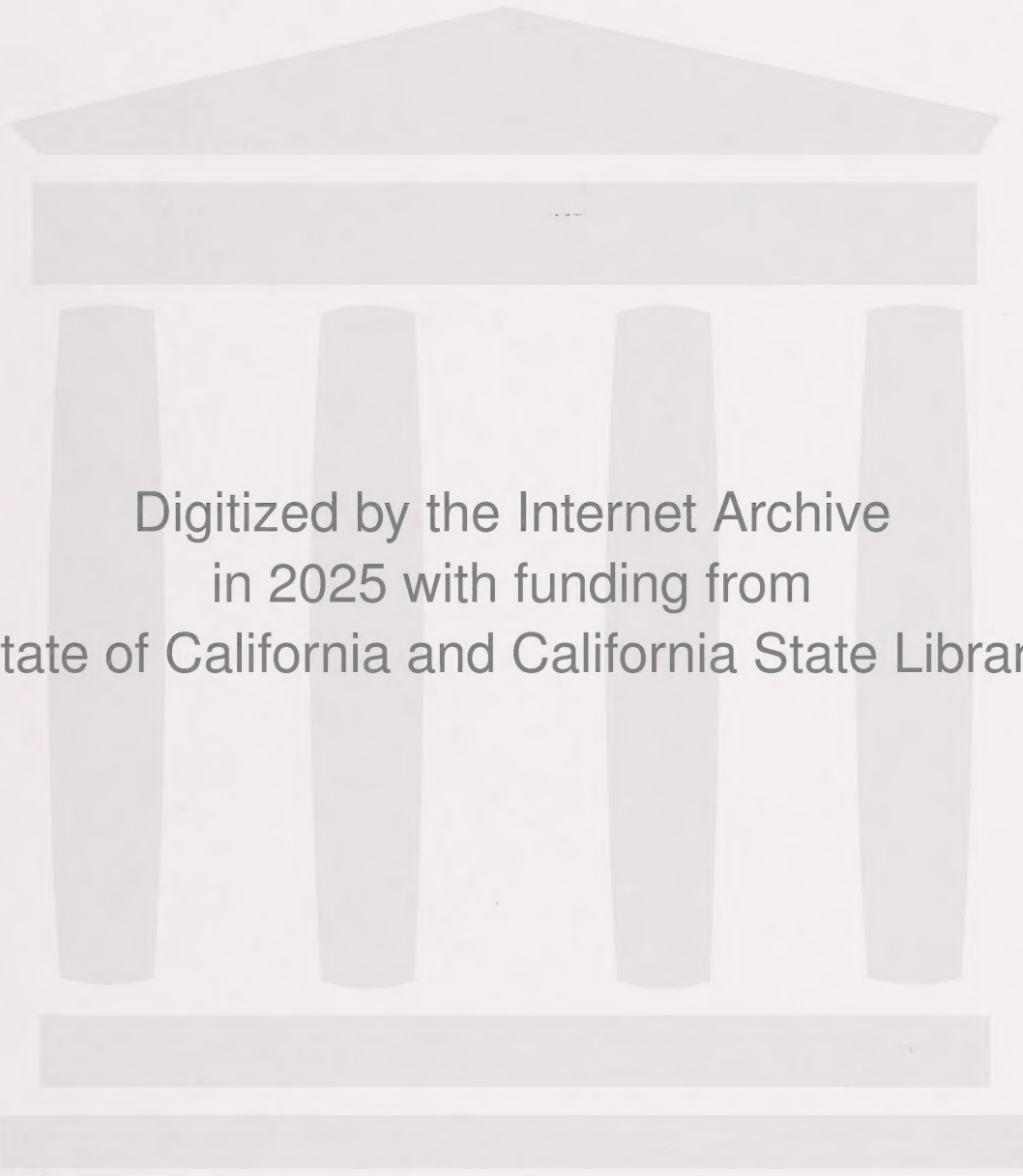
# IMPACT OF UNDOCUMENTED PERSONS AND OTHER IMMIGRANTS ON COSTS, REVENUES AND SERVICES IN LOS ANGELES COUNTY

A Report Prepared for  
Los Angeles County Board of Supervisors

November 6, 1992







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# **IMPACT OF UNDOCUMENTED PERSONS AND OTHER IMMIGRANTS ON COSTS, REVENUES AND SERVICES IN LOS ANGELES COUNTY**

A Report Prepared for  
Los Angeles County Board of Supervisors

November 6, 1992

**LOS ANGELES COUNTY**

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# REPORT OF THE UNITED STATES DEPARTMENT OF AGRICULTURE ON THE PROGRESS OF THE BUREAU OF PLANT INDUSTRY

FOR THE YEAR ENDING  
JUNE 30, 1900

BY  
J. H. COOPER

WASHINGTON, D. C.

1901

UNITED STATES  
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*Among those consulted were:*

Dale Badgley	California Department of Education
Frank Bean	Urban Institute
John Bjerke	Immigration and Naturalization Service
Leon Bouvier	Center for Immigration Studies
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## **EXECUTIVE SUMMARY**

### ***Introduction and Study Purpose***

On December 3, 1991, the Los Angeles County Board of Supervisors adopted a motion instructing that a comprehensive study be conducted on the impact of immigration on the County (Attachment A). The Board order directed that the study include the following:

- **Estimated costs and overall impact on County services**
- **Estimated revenues, taxes and fees to all levels of government**
- **Revenues generated by amnesty persons during their initial five years of legal status**
- **Review and report on existing studies on the economic and fiscal impact of undocumented persons**
- **Estimated costs to school districts**
- **Potential impact of the underground economy**
- **Impact of a legal work permit system**
- **Inventory of the uses of public housing in the County**

The Board order specified that cost and revenue estimates be developed for the following subpopulations:

- **Recent legal immigrants**
- **Amnesty persons**
- **Undocumented persons**
- **Citizen children of undocumented persons**

The scope of this study is limited to providing information requested in the Board order, and therefore it omits certain issues. We include only immigrant related costs borne by the County of Los Angeles. Other local, State and Federal government costs are omitted. Some questions could not be answered because of inadequate data or the lack of an agreed upon research method. Thus, for example, we do not include an investigation of revenue generated from businesses owned by immigrant entrepreneurs and businesses frequented by immigrants. The study is also limited to those population categories specified by the Board order. Our research on the fiscal impact of immigration on Los Angeles County has been limited to estimating the costs and revenues in fiscal year 1991-92. This caveat is especially important since the study represents a snapshot analysis of the fiscal impact of immigrants and therefore does not address the long term impacts of immigration.

While this study addresses a number of complex questions concerning immigrants in Los Angeles County, we do not address the empirical question of costs and benefits of immigrants to the larger society and economy of Los Angeles County. Finally, consistent with the Board assignment, the report does not include policy recommendations and actions. Despite these limits, we hope that by furthering our knowledge of the fiscal impacts of immigration on County government the report will provide valuable information to policy makers.

In the following chapters we present the evidence supporting our findings. Chapter I describes the demographic profile of recent immigrants in Los Angeles County. Chapter II examines the fiscal impact of undocumented persons and other immigrants on County costs, revenues, and services in fiscal year 1991-92. Chapter III evaluates the impact of immigration on selected public services. In Chapter IV we summarize existing studies on the economic and fiscal impact of immigrants and discuss other research related issues. Finally, Chapter V examines the question of the impact of immigration and the underground economy, and concludes with a review of the potential impact of a legal work permit system in Los Angeles County.

## MAJOR FINDINGS

In this section we summarize the major findings of this study.

### *Demographic Estimates*

Our estimates of the size of the three immigrant groups (recent legal immigrants, amnesty persons, and undocumented persons), the citizen children of the undocumented persons, and the rest of the population in Los Angeles County as of January 1, 1992 were as follows:

Recent Legal Immigrants	630,000	6.9%
Amnesty Persons	720,000	7.8%
Undocumented Persons	700,000	7.6%
Citizen Children of Undocumented	250,000	2.7%
<b>SUBTOTAL</b>	<b>2,300,000</b>	<b>25.0%</b>
Rest of the Population	6,890,000	75.0%
<b>TOTAL</b>	<b>9,190,000</b>	<b>100%</b>

- The three immigrant groups (recent immigrants here legally under Federal law, persons granted Amnesty by the Federal Government, and undocumented persons) and the citizen children of undocumented persons make up 25% of the County's total population.

In addition to the three immigrant groups who are the subject of this study, the County has an additional 1.1 million foreign-born residents comprising of legal immigrants who entered the country before 1980 and persons on temporary non-immigrant visas (e.g., student and temporary work permits) who entered after 1980.

### *Estimated Costs and Overall Impact on County Services*

The net County costs reflect the County's gross costs less any offsetting revenue from State and Federal sources and other program income, such as user fees, and fine or forfeiture revenues, which are counted as departmental revenue in the County Budget. Intergovernmental transfers, therefore, have been taken into account in the analysis. Costs to other local, State and Federal governments are not analyzed in this study because they were beyond the scope of the Board order. Revenues, taxes and fees generated to all levels of government, however, are estimated. Therefore, this must be taken into account when comparing total costs with total revenues.



Net County costs for the three immigrant groups and citizen children of undocumented persons compared to the rest of the population in 1991-92 were estimated as follows:

Recent Legal Immigrants	\$352,276,000	11.5%
Amnesty Persons	\$194,450,000	6.3%
Undocumented Persons	\$308,398,000	10.1%
Citizen Children of Undocumented Persons	\$91,581,000	3.0%
<b>SUBTOTAL</b>	<b>\$946,705,000</b>	<b>30.9%</b>
Rest of the Population	\$2,123,290,000	69.1%
<b>TOTAL</b>	<b>\$3,069,995,000</b>	<b>100%</b>

- The net costs to the County of providing services to the three immigrant groups (recent immigrants here legally under Federal law, persons granted amnesty by the Federal government, and undocumented persons) and to citizen children of undocumented persons in 1991-92 were estimated to be \$947 million and represent 30.9% of total net County costs.
- Altogether the three immigrant groups and citizen children of undocumented persons roughly accounted for: \$365 million (68%) of net County costs for the Department of Health Services; \$351 million (23%) of net County costs for justice-related departments; \$102 million (21%) of net County costs for the Department of Public Social Services; and \$5.5 million (16%) of net County costs for the Department of Mental Health.
- Recent legal immigrants account for \$84.8 million (83%) of the Department of Public Social Services' cost for the immigrant groups being studied.
- All immigrants tend to use health services at a higher rate than the general population, but utilize mental health and children's services at a lower rate.
- The roughly \$159 million (52%) in net County costs for health services and \$62 million (20%) in net County costs for justice-related services together accounted for about 72% of the County's total unreimbursed costs for services provided to undocumented persons.

A complete summary of all net County costs for the delivery of public services to the study groups and the rest of the County's population is included in Table 5 on page 35.

### ***Estimated Costs to School Districts***

This study estimated costs to school districts in Los Angeles County (which are separate government entities from the County government) for the three immigrant groups and the citizen children of undocumented persons compared to the rest of the population. Overall, an estimated 61% of school districts' funding came from State funds, 2% from lottery funds, 21% from local property tax levies, 8% from federal funds and 9% from other local sources. The estimated cost per pupil averaged \$4,480 in Los Angeles County in 1991-92.

The estimated costs for the study populations compared to the rest of the population in 1991-92 were as follows:

Recent Legal Immigrant Children	\$331,100,000	5.1%
Amnesty Children	\$123,500,000	1.9%
Undocumented Children	\$367,900,000	5.7%
Citizen Children of Undocumented Persons	\$662,300,000	10.3%
<b>SUBTOTAL</b>	<b>\$1,484,800,000</b>	<b>23.0%</b>
All other children	\$4,972,700,000	77.0%
<b>TOTAL</b>	<b>\$6,457,500,000</b>	<b>100%</b>

- Educational costs for the three immigrant groups (recent immigrants here legally under Federal law, persons granted amnesty by the Federal government, and undocumented persons) and citizen children of undocumented persons account for \$1.5 billion (23%) of total costs in Los Angeles County school districts.

## ***Estimated Revenues, Taxes and Fees to Each Level of Government***

Revenues, taxes, and fees paid directly to each level of government were estimated for the three immigrant groups (recent legal immigrants, amnesty persons, and undocumented persons) and the rest of the population of Los Angeles County. The estimates presented are only for revenues collected from individual households and do not count revenues collected by each level of government from immigrant owned and non-immigrant owned businesses or other governmental entities. Therefore, not all revenues are fully accounted for.

The estimated revenues included: federal income tax, state income tax, social security taxes, unemployment insurance tax, property taxes, vehicle license and registration fees, sales tax, gasoline taxes, excise taxes, and state lottery revenues. A complete summary of these revenues is included in Appendix B, Table B.8 on page 106.

### **Revenues Generated to All Levels of Government**

The total revenues to all levels of government generated by the three immigrant groups and the rest of the County's population in 1991-92 were as follows:

Recent Legal Immigrants	\$1,887,800,000	3.8%
Amnesty Persons	\$1,540,600,000	3.1%
Undocumented Persons	\$904,100,000	1.8%
<b>SUBTOTAL</b>	<b>\$4,332,500,000</b>	<b>8.7%</b>
Rest of the Population	\$44,875,800,000	91.3%
<b>TOTAL</b>	<b>\$49,208,300,000</b>	<b>100%</b>

- Altogether revenues generated by the three immigrant groups to all levels of government in 1991-92 were estimated to be \$4.3 billion, or 8.7%, of the \$49.2 billion in revenues collected from all households in Los Angeles County.



### Revenues Generated by the Immigrant Groups to Each Level of Government

The revenues generated by the three immigrant groups to each level of government in 1991-92 were as follows:

County	\$139,100,000	3.2%
State	\$1,237,300,000	28.6%
Federal	\$2,599,600,000	60.0%
Other Local	\$356,600,000	8.2%
Total	\$4,332,500,000	100%

- The Federal government receives the largest share of revenues, and the County receives the least.
- Of the \$4.3 billion revenues generated by the three immigrant groups (recent legal immigrants, amnesty persons, and undocumented persons) in 1991-92, about \$2.6 billion (60%) went to the Federal government, \$1.2 billion (29%) to the State government, \$357 million (8%) to other local entities, and \$139 million (3%) to the County of Los Angeles.

### Revenues Generated to the County of Los Angeles

The breakdown of the revenues collected by the County from the three immigrant groups and the rest of the County's population in 1991-92 were estimated as follows:

Recent Legal Immigrants	\$ 55,800,000	4.0%
Amnesty Persons	\$ 47,100,000	3.4%
Undocumented Persons	\$ 36,200,000	2.6%
SUBTOTAL	\$139,100,000	10.0%
Rest of the Population	\$1,257,900,000	90.0%
TOTAL	\$1,397,000,000	100%

- All three immigrant groups generated about \$139 million (10%) of revenues to Los Angeles County in the year studied, while about \$1.25 billion (90%) of the revenue was generated by the rest of the population.

Table 8 on page 50 shows revenues generated by immigrants to the County of Los Angeles in the year studied. These estimates suggest the following:

- Altogether the three immigrant groups accounted for about \$134 million (10%) of County property tax revenues and about \$5 million (15%) of County sales tax revenues.

### Revenues Generated to the State of California

The State revenues generated by each immigrant group and the rest of the population in 1991-92 were as follows:

Recent Legal Immigrants	\$486,500,000	4.1%
Amnesty Persons	\$451,100,000	3.8%
Undocumented Persons	\$299,700,000	2.5%
<b>SUBTOTAL</b>	<b>\$1,237,300,000</b>	<b>10.4%</b>
Rest of the Population	\$10,704,700,000	89.6%
<b>TOTAL</b>	<b>\$11,942,000,000</b>	<b>100%</b>

- The three immigrant groups together generated about 10% (or \$1.2 billion) of the total revenue generated by Los Angeles County residents to the State of California.
- Altogether the three immigrant groups generate about nine times more revenue to the State of California than to the County of Los Angeles.

### Revenues Generated to the Federal Government

Federal revenues generated by immigrant groups and the rest of the County's population in 1991-92 were as follows:

Recent Legal Immigrants	\$ 1,212,600,000	3.7%
Amnesty Persons	\$909,700,000	2.8%
Undocumented Persons	\$477,300,000	1.4%
<b>SUBTOTAL</b>	<b>\$2,599,600,000</b>	<b>7.9%</b>
Rest of the Population	\$30,375,800,000	92.1%
<b>TOTAL</b>	<b>\$32,975,400,000</b>	<b>100%</b>

- The three immigrant groups together generated about 8% (or \$2.6 billion) of the total revenue generated by County residents to the Federal government.
- Altogether the three immigrant groups generate about eighteen times more revenue to the Federal government than to the County of Los Angeles.

### Revenues Generated to Other Local Entities

Other revenues were generated to local governmental entities in Los Angeles County, such as cities and school districts. The revenues generated to local governmental entities other than the County of Los Angeles by the three immigrant groups compared to the rest of the County's population in 1991-92 were as follows:

Recent Legal Immigrants	\$133,000,000	4.6%
Amnesty Persons	\$132,700,000	4.6%
Undocumented Persons	\$90,900,000	3.1%
<b>SUBTOTAL</b>	<b>\$356,600,000</b>	<b>12.3%</b>
Rest of the Population	\$2,537,500,000	87.7%
<b>TOTAL</b>	<b>\$2,894,100,000</b>	<b>100%</b>

- The three immigrant groups together generated \$357 million (12%) of total local revenues in the fiscal year 1991-92.
- Altogether the three Immigrant groups generate about two and one-half times more revenue to other local government entities than to the County of Los Angeles.

### ***Estimated Costs and Revenues at the County Level***

The estimated net County costs for services provided to recent legal immigrants, amnesty persons, undocumented persons and their citizen children exceeded estimated County revenues generated from them in fiscal year 1991-92, as shown below. When comparing net County costs with revenues, it should be noted that revenues paid by businesses were not counted.

• Net County costs experienced:	\$946,706,000
• County revenues generated:	\$139,100,000
• Difference:	\$807,606,000

- Net County costs for services provided to the three Immigrant groups (recent immigrants here legally under Federal law, persons granted amnesty by the Federal government, and undocumented persons) and citizen children of undocumented persons exceeded County revenues from them by \$807.6 million.



## ***Revenues Generated by the Amnesty Population in their Initial Five Years of Legal Status***

The estimated revenues generated by the amnesty population in Los Angeles County during the first five years of their legal status were as follows:

County	\$218,000,000	3.1%
State	\$2,088,500,000	29.3%
Federal	\$4,211,700,000	59.0%
Other Local	\$614,400,000	8.6%
Total	\$7,132,600,000	100%

- During their first five years of legal status under Federal law while they were ineligible for most Federal public assistance benefits, amnesty persons generated about \$7.1 billion in revenues to all levels of government of which 59% (\$4.2 billion) went to the Federal government.

## ***Review and Report on Existing Studies***

Existing studies on the economic and fiscal impact of undocumented persons are discussed in Chapter IV of this report. These include research from the RAND Corporation and the Urban Institute, as well as other pertinent studies.

- While these studies provided useful background information, they did not specifically answer the questions about the impacts of immigrants in Los Angeles County, as defined in the Board order, and were generally conducted before the Immigration Reform and Control Act of 1986 was fully implemented.
- Most of the studies suggest that immigration has not had a significant impact on the employment of native workers.
- Existing studies have found evidence of wage depression attributable to immigrants. However, the research indicates that immigrants mainly tend to depress wage levels in industries where immigrant workers are heavily concentrated.
- Studies have shown that the skills and earnings of recent immigrants are below the skills and earnings of earlier immigrants.
- Some economists argue that immigrants, especially through their ownership of small businesses, expand the economy and contribute to the growth of the region.

### ***Inventory of the Uses of Public Housing in the County***

- Public housing provided to low income persons is federally funded with no County share of costs.
- Actual data on the use of public housing by immigrants are not collected. However, the self-reported rate of use of public housing by undocumented and amnesty persons has been found to be low in surveys of these persons.

### ***Immigration and the Underground Economy***

- Our review of the literature found only a few studies estimating the participation of undocumented persons in the underground economy at the national level, and found no studies at the County level.
- Research studies have given a broad range of estimates for income taxes withheld from undocumented workers; nationwide these estimates have averaged 56%.
- A 1979 Internal Revenue Service (IRS) study has shown that nationwide the revenue loss from undocumented persons has been between 1.1% and 1.5% of the total income tax revenue losses from all persons due to the underground economy.

### ***Impact of a Legal Work Permit System***

- Our review of the literature found no studies directly dealing with the impact a legal work permit system would have on Los Angeles County.
- Studies evaluating the European experience with guest worker programs are inconclusive regarding what their impacts would be if implemented in the United States.
- Foreign workers with legal work permits in Europe constitute 10% to 20% of the total labor force.

## CONCLUSIONS

The major conclusions of the study are summarized in this section.

### *Impact of Immigrants on County Population*

- Based on our demographic estimates, the three immigrant groups (recent immigrants here legally under Federal law, persons granted amnesty by the Federal government, and undocumented persons) and the citizen children of undocumented persons accounted for about 25% (or 2,300,000) of the total population in Los Angeles County as of January 1, 1992.

### *Impacts on County Costs and Revenues to All Levels of Government*

- Los Angeles County bears a disproportionately high cost for serving immigrants who are in this country as a result of Federal laws and/or policies and decisions, while most tax revenues collected from immigrants go to the Federal government. Both previous research and this study indicate that the gap between the costs of services and the revenues generated by immigrants creates a special problem for counties with large and relatively poor immigrant populations.
- The estimated net County costs of providing services to the three immigrant groups (recent legal immigrants, amnesty persons, and undocumented persons) and to citizen children of undocumented persons in 1991-92 were about \$947 million, while the estimated revenues, taxes and fees generated by them to the County of Los Angeles were \$139 million, resulting in a net deficit of about \$808 million.
- The net County costs exceeded County revenues for each of the immigrant groups being studied.
- The three immigrant groups and the citizen children of undocumented persons' share of total net County costs was 31%, which exceeds both their 25% share of the County's population and 10% share of total County revenues.
- The three immigrant groups and citizen children of undocumented persons have the greatest impact on the County health services, accounting for about 68% of total net County costs for health services.
- The three immigrant groups contributed in revenue roughly \$4.3 billion to all levels of government in Los Angeles County in 1991-92.



- The three immigrant groups being studied account for 25% of the County's population, but about 12% of total revenues to other local governmental entities, 10% of total revenues to the State of California, and 8% of total revenues to the Federal government. The lower tax revenues generated from immigrants relative to the native population reflects their lower average incomes. The amount of taxes paid by persons was highly correlated to their income level.
- The three Immigrant groups together generate eighteen times more revenue to the Federal government, nine times more revenue to the State of California, and about two and one-half times more revenue to other local government entities than to the County of Los Angeles.
- Recent legal immigrants generate more tax revenues than amnesty persons who, in turn, generate more revenue than undocumented persons.
- During their first five years of Federal legal status, amnesty persons generated about \$7 billion in revenues to all levels of government of which 59.0% went to the Federal government, 29.3% to the State of California, 8.6% to other governmental agencies, and only 3.1% to the County of Los Angeles.

#### ***Impact on School Districts' Costs***

- The estimated education costs for undocumented children, citizen children of undocumented persons, amnesty children and recent legal immigrant children accounted for 23% (or \$1.5 billion) of total school district costs in Los Angeles County.

#### ***Impact on Public Housing***

- Public housing is not a cost to the County government because the programs are federally funded. The rate of use of government housing assistance by undocumented persons and amnesty persons is less than that of the total population based on surveys of such persons.

#### ***Review of Existing Studies***

- No existing study answers the research questions about the impacts of immigrants in Los Angeles County, as defined in the Board order. Most of the studies have found no evidence to show that immigrants displace native workers. However, there is evidence for wage depression attributable to immigrants, particularly in industries where immigrant workers are heavily

concentrated. The skills and earnings of recent immigrants have been found to be lower than the skills and earnings of earlier immigrants. Some economists argue that immigrants, especially through ownership of small businesses, expand the economy and contribute to the growth of the region.

#### ***Impact of Undocumented Persons in the Underground Economy***

- Only a few studies estimated the participation of undocumented persons in the underground economy at the national level, and none at the County level. Based on national studies, undocumented persons appear to be more likely to be employed at jobs where income is not reported, but these also tend to be low paying jobs where the tax rate and revenue loss is also low. The impact in Los Angeles County, however, may differ from the nation as a whole.

#### ***Impact of a Legal Work Permit System***

- The impact of a legal work permit system on Los Angeles County is uncertain and would largely depend on the specific design and scale of the system and economic conditions during implementation.

## Chapter I. IMMIGRATION INTO LOS ANGELES COUNTY

### **Findings**

*Our estimates of the size of the three immigrant groups (recent legal immigrants, amnesty persons, and undocumented persons), the citizen children of the undocumented persons, and the rest of the population in Los Angeles County as of January 1, 1992 were as follows:*

<i>Recent Legal Immigrants</i>	<i>630,000</i>	<i>6.9%</i>
<i>Amnesty Persons</i>	<i>720,000</i>	<i>7.8%</i>
<i>Undocumented Persons</i>	<i>700,000</i>	<i>7.6%</i>
<i>Citizen Children of Undocumented</i>	<i>250,000</i>	<i>2.7%</i>
 <i>SUBTOTAL</i>	 <i>2,300,000</i>	 <i>25.0%</i>
 <i>Rest of the Population</i>	 <i>6,890,000</i>	 <i>75.0%</i>
 <i>TOTAL</i>	 <i>9,190,000</i>	 <i>100%</i>

- The three immigrant groups (recent immigrants here legally under Federal law, persons granted amnesty by the Federal government, and undocumented persons) and the citizen children of undocumented persons make up 25% of the County's total population.*

There also are an estimated 1,110,000 "other foreign-born residents" comprised of pre-1980 legal immigrants and persons on temporary non-immigrant resident visas (e.g., students and temporary workers) who entered the country after 1980. This study does not address the impact of the "other foreign-born," however, we show an estimate for them in the tables to facilitate comparisons with 1990 Census data and to give a perspective on the three immigrant groups' populations relative to the total number of foreign-born.

There is a great deal of uncertainty concerning the number and characteristics of foreign-born persons in Los Angeles County, especially the undocumented population, because limited actual data exists. The estimates need to be used with an awareness of their sources and limitations.

### ***Definition of the Three Immigrant Groups***

For the purpose of this research the working definitions of the groups studied were:

Undocumented persons: Foreign-born persons who are not in the country under a lawful immigration status and who are not permanently residing in the United States under color of law (PRUCOL).



Citizen children of the undocumented: Children under the age of 18 born in the United States whose mothers are undocumented persons.

Recent legal immigrants: Foreign-born persons who entered the United States since April 1, 1980 who were lawfully admitted for permanent residence by the Federal government or who are permanently residing in the United States under color of law (PRUCOL). Persons who have nonimmigrant visas (e.g., tourists, students, and businessmen) are excluded from this category.

Amnesty persons: Former undocumented persons who were granted lawful immigration status by the Federal government under Section 245A and Section 210 of the Immigration Reform and Control Act (IRCA) of 1986. To qualify under Section 245A, "pre-1982 immigrants" had to demonstrate continuous residence in the United States since prior to January 1, 1982. To qualify under Section 210, "special agricultural workers" (SAWs) had to demonstrate employment in agriculture in the U.S. for at least 90 days between May 1, 1985 and May 1, 1986.

These immigrant group definitions are not legal definitions and the cost and revenue data do not always correspond exactly to the immigrant groups.

### ***Population Estimation Methods***

The greatest obstacle in the research was the absence of databases that contain sufficient information on immigrants. A second difficulty was that immigrants do not neatly fall into discrete statistical categories. For example, a person's legal status could change from undocumented to temporary resident to permanent resident over a period of years. It is noteworthy that as of January 1992, about 720,000 undocumented persons were granted amnesty under Federal law in Los Angeles County and 25,000 others have applications for legal status which are still pending adjudication. Unavoidably, the estimates were rough approximations, and the nature of the data and the analytical categories precluded the calculation of statistical confidence intervals.

We began this project with parallel efforts to review previous immigration research and to search for appropriate data sources. During this process we consulted with federal, state and local agencies, as well as County departments. We also had meetings and phone conversations with government, academic and private sector experts concerning demographic data on immigrants.

The general approach employed was to estimate the immigrant group populations as of the 1990 Census and then project them forward to January 1, 1992. An exception was the amnesty population for which a special tabulation was done by the Immigration and Naturalization Service (INS) for Los Angeles County as of February

1992. The population estimates for 1992 are given in Chart 1 and Tables 1 through 3 at the end of this chapter. A technical description of the 1990 population estimates is given in Appendix A.

The Bureau of the Census and the INS were the primary sources of data used in our estimates. These were compared, however, to other surveys to help assess the validity of the analysis. A description of the data sources is presented in Appendix A.

The following sections describe the estimation methods used for each immigrant group.

### *Amnesty Persons*

For the number of amnesty persons we used a special tabulation done for Los Angeles County by the INS based on their files, which includes the place of residence of amnesty persons, as of February 13, 1992. Persons whose applications were denied, closed, or pending were not included in the total. The INS file is updated for reported migration and mortality. The number of amnesty persons in the County was about 720,000.

We estimated the socioeconomic characteristics of the amnesty persons by using a Los Angeles County subsample of 2,129 persons from a survey done for INS by Westat, Inc. The sample was of amnesty persons who applied under the provisions of having resided in the United States since before January 1, 1982.

### *Recent Legal Immigrants*

The number of legal immigrants since 1980 was obtained from the California Department of Finance (DOF), Demographic Research Unit tables which summarized data from the INS and the Office of Refugee Resettlement. These tabulations were adjusted by DOF for emigration from this category during the 1980s at an annual rate of 12,000. DOF also made adjustments for net internal migration of refugees into Los Angeles County which totaled 20,000 for the 1980s. These data were for April 1, 1980 to April 1, 1990 and were projected to January 1, 1992 using average change rates from the 1980s.

The socioeconomic characteristics of the recent legal immigrants were estimated from INS files and samples of 1,010 foreign-born Los Angeles County residents taken from the November 1989 Current Population Survey, and 1,500 foreign-born Los Angeles County residents taken from the 1985 American Housing Survey.



## *Undocumented Persons*

In its censuses and surveys the Bureau of the Census does not ask respondents directly about their immigration status. This policy is intended to encourage full participation by protecting the respondents. It is also unlikely that people would readily admit to being in the country illegally. Researchers, therefore, have used indirect techniques to estimate the number of undocumented residents.

Heer (1990) reviewed methods that have been used to estimate undocumented immigration. The middle estimates in these studies for the number of undocumented residents in the United States in 1980 or before, ranged from 1 to 5 million. One method looked for unusual patterns in income tax returns, social security payroll taxes, and social security benefits that could be explained by the presence of a certain size undocumented population (Lancaster and Scheuren, 1977).

In other research, abnormalities in demographic statistics such as death rates (Robinson, 1980) and sex ratios (Bean, King and Passel, 1983) have been used as indicators.

Another approach was to compare age-sex cohorts in Mexico from one census to another for signs of emigration (Goldberg, 1975).

Estimates have also been made based on the number of apprehensions of undocumented persons and assumptions about the proportion who are not apprehended (Lesko Associates, 1975).

Juan Diez-Cañedo (1980) made estimates for 1975 from remittances of postal or money orders to Mexico.

The Centro Nacional de Informacion y Estadísticas del Trabajo (CENIET) of the Mexican government conducted a survey in 1978-79 to estimate the number of habitual residents of Mexico who worked seasonally in the United States.

More recently, Warren and Passel (1987) used citizenship, place of birth, and legal immigrant registration data to estimate the number of undocumented persons counted in the 1980 Census.

The consensus in discussions with demographers was that a method similar to Warren and Passel's would provide the best estimate for Los Angeles County, and it is the approach we adopted.

The choice of method selected for our research was constrained by several factors. National level data might not apply to Los Angeles County. Field surveys were precluded by cost and time considerations. Similarly, there was not the time and



resources available to conduct and validate population estimates made through original analyses of administrative records such as birth certificates, death certificates or tax returns.

Estimates based on apprehensions of undocumented persons, the most obvious alternative, would appear to have serious limitations. Apprehension rates are affected by changes in immigration law enforcement programs. Apprehensions would also not distinguish as well between transient undocumented persons and those who had taken up residence in the County. Indeed one might expect that the longer term undocumented residents, who are more likely to pay revenue and utilize services, would have a lower apprehension rate.

The Warren and Passel method also has limitations. People who are not counted in the census are missed. The undercount is disproportionately high for minorities and persons who are young, single, male and geographically mobile. A higher than average percentage of the undocumented are in these categories which we expect to have a high undercount rates. In addition, they are undocumented and may be leery of Census takers, despite assurances in public campaigns that the information they provide will be kept confidential. Despite these problems, a method based on this approach appeared to be our best option. What follows is a description of the Warren and Passel method, a description of how it has been updated and finally a description of how it was modified for the needs of this study.

At the time of the 1980 Census documented non-citizen residents were required to register their addresses annually with INS. Warren and Passel (1987) estimated the number of undocumented residents counted in the 1980 Census by subtracting the number of non-citizen residents registered with INS from the total number of non-citizen residents counted. This method is illustrated in Figure 1 on page 26.

$$1980 \text{ Undocumented} = (\text{Non-Citizen Residents}) - (\text{Registered Non-Citizen Residents}) \quad (1)$$

Adjustments needed to be made for under-registration of documented non-citizen residents and false reporting of citizenship. Warren and Passel estimated that for January 1980 overall under-registration by non-citizen residents had been 11.1% and for the Mexican-born population it had been 7.3%. Correction for false reporting of naturalization was 12% overall and 21% for the Mexican-born population. A further adjustment for false reporting of U.S. nativity increased the Mexican-born population estimate by 8.8%. The final estimate was that approximately 2.1 million undocumented residents were counted in the 1980 Census.

The most recent work to update the Warren and Passel estimates at the national level was done by Karen Woodrow (1991). It is important to our study because it addresses the question of how much net migration of undocumented persons has

occurred since 1980. Woodrow used the Bureau of the Census' Current Population Survey (CPS) data to compare the increase in the foreign-born population to legal immigration. From the difference she derived the change in the number of undocumented residents. The Warren and Passel estimate of the 1980 legally resident foreign-born was her beginning point from which to estimate this population for later years. The differences between the foreign-born populations estimated from three Current Population Surveys and her estimates of the legally resident foreign-born were her estimate of the number of undocumented residents for 1986, 1988, and 1989. This method is illustrated in Figure 2 on page 27.

$$\begin{aligned} \text{Undocumented Persons} = & \quad (\text{CPS Non-Citizen Population Estimates}) \quad (2) \\ & \text{minus (1980 Legal Immigrant Estimate)} \\ & \text{minus (Legal Immigration Since 1980)} \end{aligned}$$

Woodrow's estimates were adjusted for false reporting of citizenship, false reporting of nativity, the amnesty program, mortality, immigration and emigration. The CPS consistently showed more foreign-born residents than could be expected from legal immigration. Woodrow estimated that the undocumented population reached 3.2 million in 1986, however, it declined to 1.6 million in her middle estimate for 1989 because of the amnesty program. There was a wide range in her estimates that depended upon assumptions concerning Special Agricultural Worker amnesty persons. They do not have to reside in the United States to retain their amnesty status, and if one overestimates the number of Special Agricultural Workers, one underestimates the number of undocumented.

The starting point of our estimate of the number of undocumented in Los Angeles County was a special study of Los Angeles County by the Bureau of the Census that used the Warren and Passel method of comparing non-citizens counted in the 1980 Census to the number of non-citizen residents registered at that time by the Immigration and Naturalization Service (Woodrow, 1986). The 1980 count of undocumented residents in Los Angeles County was calculated to be 658,000.

The net migration of undocumented into Los Angeles County during the 1980s was estimated by DOF to be 643,000 persons. This was calculated from the Bureau's middle estimate of annual net migration of undocumented persons (200,000) and the proportion of the national total of undocumented counted in the 1980 Census who resided in Los Angeles County. This national level net migration estimate, while uncertain, is supported by the work of Woodrow cited above. Adjusting for the number who changed their status through the amnesty program, we estimate that the number of undocumented persons in Los Angeles County at the time of the 1990 Census was approximately 583,000. This method is illustrated in Figure 3 on page 28.

$$\begin{aligned} \text{1990 LACO Undocumented Persons} = & \quad (\text{1980 LACO Undocumented Persons}) \quad (3) \\ & \text{plus (Net Migration of LACO Undocumented Persons)} \\ & \text{minus (LACO Amnesty Persons)} \end{aligned}$$



This estimate relies on evidence that many undocumented persons were counted in the 1980 Census and that the net-immigration of undocumented persons into the United States during the 1980s has generally followed a consistent pattern. The estimate, however, was also checked for consistency with Woodrow's national estimate from the 1989 Current Population Survey and with the 1990 Census count of foreign-born persons living in Los Angeles County.

Our 583,000 estimate for April, 1990 is 36% of Woodrow's middle estimate that nationwide there were 1.6 million undocumented persons according to the November, 1989 Current Population Survey. This percentage is also consistent with the fact that approximately one-third of the pre-1982 applicants in the amnesty program were from Los Angeles County.

The 1990 Census indicated that 1.5 million of the County's foreign-born had entered the country since 1980. Given the estimates of net gain from documented immigration and amnesty persons during the decade, our estimate of 583,000 undocumented residing in the County as of April 1, 1990 appears to be consistent.

We assumed that annual net-migration of undocumented into Los Angeles County since April 1, 1990 was 64,000, the annual average DOF estimated for the 1980s. Consequently, our estimate of undocumented persons for January 1, 1992 was 699,000.

The question arose of whether to adjust for undercounting of the subgroup populations and the total population in the 1990 Census, which outside demographers reviewing the study agreed was not feasible at this time. One obstacle is that the undercount adjustment factors for the 1990 Census are not suitable for the three immigrant groups. There are no undercount adjustment factors for the foreign-born compared to the native-born, citizens compared to non-citizens, and documented residents compared to undocumented residents. A second obstacle is that our current estimates rely on immigration tabulations and assumptions more than they do the 1990 Census. The older estimates of undocumented residents are based on the 1980 Census for which specific adjustment factors are not available at the County level. The most current estimates of the undocumented nationwide are based on the Bureau of the Census's Current Population Survey (CPS), and we do not know how the undercount for the three immigrant groups in the CPS compares to the undercount in the Census enumeration.

Our estimate of the number of undocumented persons also errs on the low side due to the likely undercount of undocumented persons in the 1980 Census, as the Census Bureau's 1980 estimate of undocumented persons in Los Angeles County was only for those counted. Estimates of the undercount in the 1980 Census have ranged from 15% based on the 1990 undercount estimates for young Hispanic male



renters to 50% based on expert judgment (Warren and Passell, 1987; and consultation with outside demographers).

The estimate also would be affected by errors in the assumptions concerning net-migration of undocumented persons into the County since 1980. Because of the amnesty program, most of the undocumented are likely to be persons who entered the United States since 1980; therefore, the assumptions about migration since 1980 are crucial. We are using the Bureau of the Census's middle estimate of annual net-migration as 200,000 persons nationwide. This estimate has been consistent with the Bureau's staff's estimates based on Current Population Surveys of increases in the number of undocumented persons since 1980 (Woodrow, 1991).

The outside demographic experts consulted were sent preliminary estimates of the study populations for comments. Discussions with them led to incorporating estimates of internal migration of legal immigrants after arrival. The proportion of undocumented and documented immigrants under the age of 18 was also increased to correspond better with INS immigration data and recently released foreign-born data from the 1990 Census. Generally the demographers consulted thought that our estimates of the number of undocumented were reasonable. They emphasized that there was no way of knowing with precision the "true" number, and that the numbers should be used with an awareness of this uncertainty.

### *Socioeconomic Characteristics of the Undocumented*

We estimated the socioeconomic characteristics of the undocumented primarily through an analysis of immigrants in a sample survey of the amnesty population (for Los Angeles County the number of cases was 2,129). The survey was commissioned by the INS and conducted by Westat, Inc. in 1989. Only pre-1982 (I-687) applicants were in the sampling frame. This excluded applicants under the special program for agricultural workers SAW (I-700). As a surrogate for the undocumented population, a subsample of this survey was selected which consisted of applicants who first entered the United States after 1978 (for Los Angeles County the number of cases was 1,106). They had been in the country 8 to 10 years at the time to this survey. Even with this selection of the more recent immigrants, our sample is probably older and more established in general than the undocumented population which includes a proportion of short term immigrants who have been in the country less than 8 years.

### *Citizen Children of the Undocumented*

From the Westat survey, described in the previous section, we derived that the average number of children born in the United States per female amnesty person

who had entered after 1978 was .90. This ratio was used with our estimate of undocumented females to estimate the number of citizen children of the undocumented. In evaluating this estimate, it needs to be remembered that the proportion of undocumented immigrants who are married or cohabiting is lower than average and that at this time most of them have been in the United States less than 10 years. The ratio would be expected to go up over time as the proportion in family unions increases and the average number of years in the United States increases. The women in this subsample of the Westat survey had been in the United States 8 to 10 years at the time of the survey. Ten years had also elapsed from the pre-1982 entry cutoff date to our January 1, 1992 estimate. Some of the undocumented women, however, have been in the United States much less than 10 years, while others entered prior to 1982 and did not apply for amnesty. Nationwide, the number of pre-1982 amnesty applicants was 15% lower than the number of undocumented persons estimated to have been counted in the 1980 Census. We do not know the degree of bias caused by differences between the Westat subsample and the current population of undocumented women.

### **Conclusions**

- Based on our demographic estimates, the three immigrant groups (recent immigrants here legally under Federal law, persons granted amnesty by the Federal government, and undocumented persons) and the citizen children of undocumented persons accounted for about 25% (or 2,300,000) of the total population in Los Angeles County as of January 1, 1992.

**CHART 1. ESTIMATES OF STUDY POPULATIONS  
IN LOS ANGELES COUNTY (JANUARY 1, 1992)**

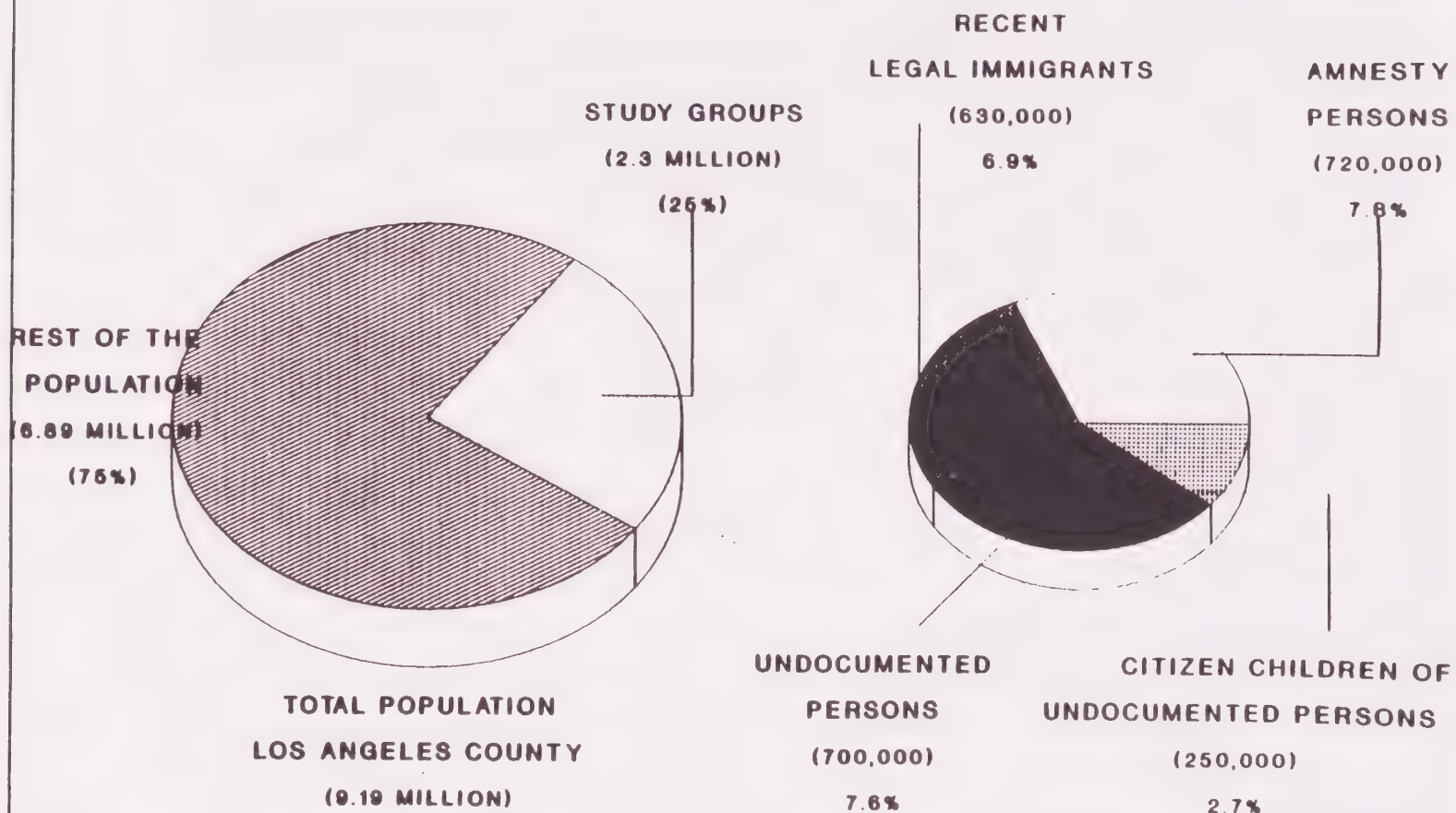




Table 1. Estimated Total Population of Los Angeles County, January 1, 1992.

Age	January 1, 1992
Under 18	2,505,000
18+	6,682,000
<b>TOTAL</b>	<b>9,187,000</b>

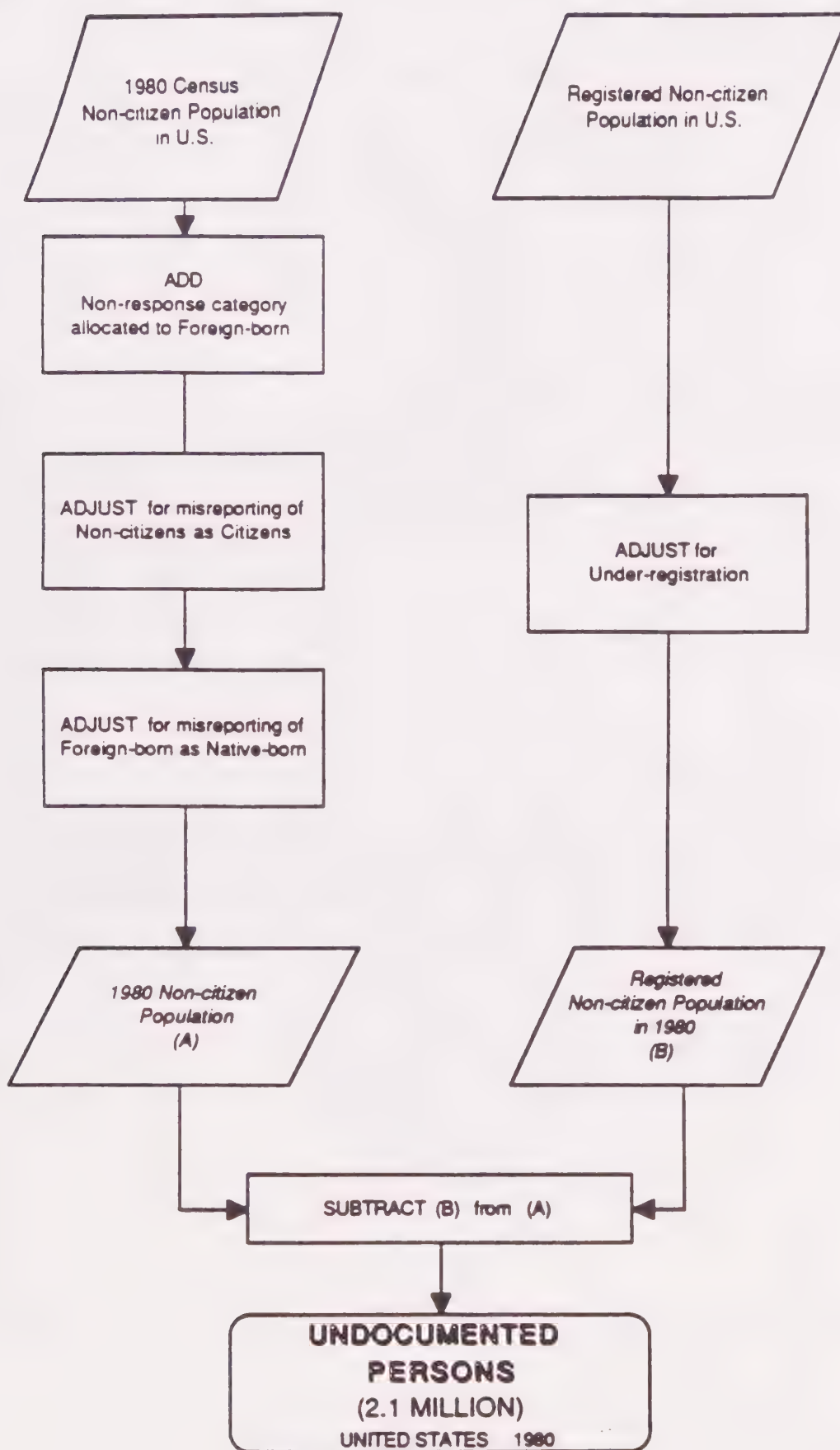
Table 2. Estimated Subpopulations of Los Angeles County, January 1, 1992.

Age	Ancestry Persons	Recent Legal Migrants	Undocumented Residents	Other Foreign-Born	TOTAL
Under 18	47,000	126,000	140,000	118,000	431,000
18+	671,000	506,000	559,000	990,000	2,726,000
<b>TOTAL</b>	<b>718,000</b>	<b>632,000</b>	<b>699,000</b>	<b>1,108,000</b>	<b>3,157,000</b>

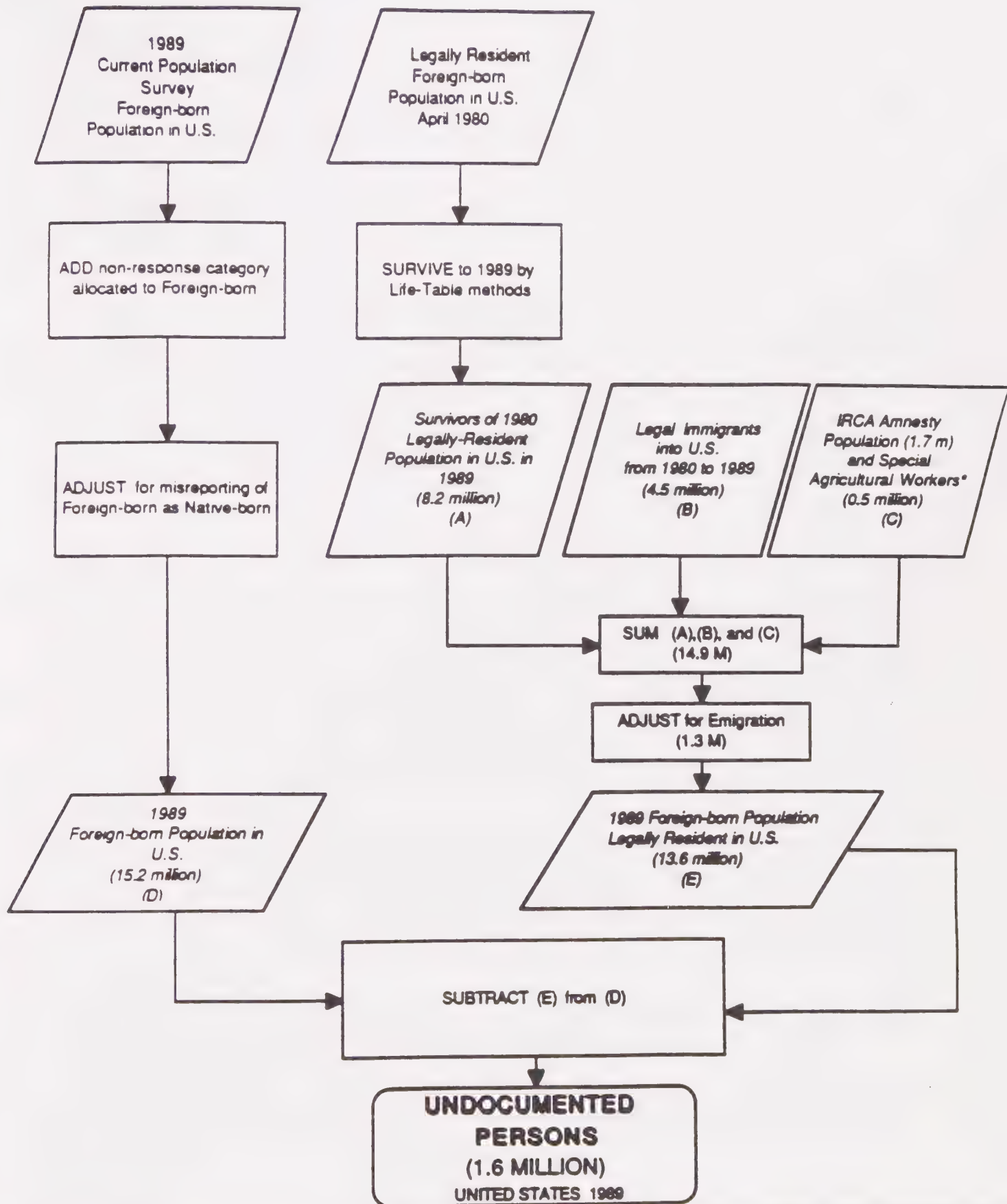
Table 3. Estimated Citizen Children of Subpopulation of Los Angeles County, January 1, 1992.

Ancestry Persons	Recent Legal Migrants	Undocumented Residents	Other Foreign-Born	TOTAL
301,000	228,000	252,000	495,000	1,276,000

FIGURE 1. THE WARREN AND PASSEL METHOD FOR ESTIMATING  
THE NUMBER OF UNDOCUMENTED PERSONS



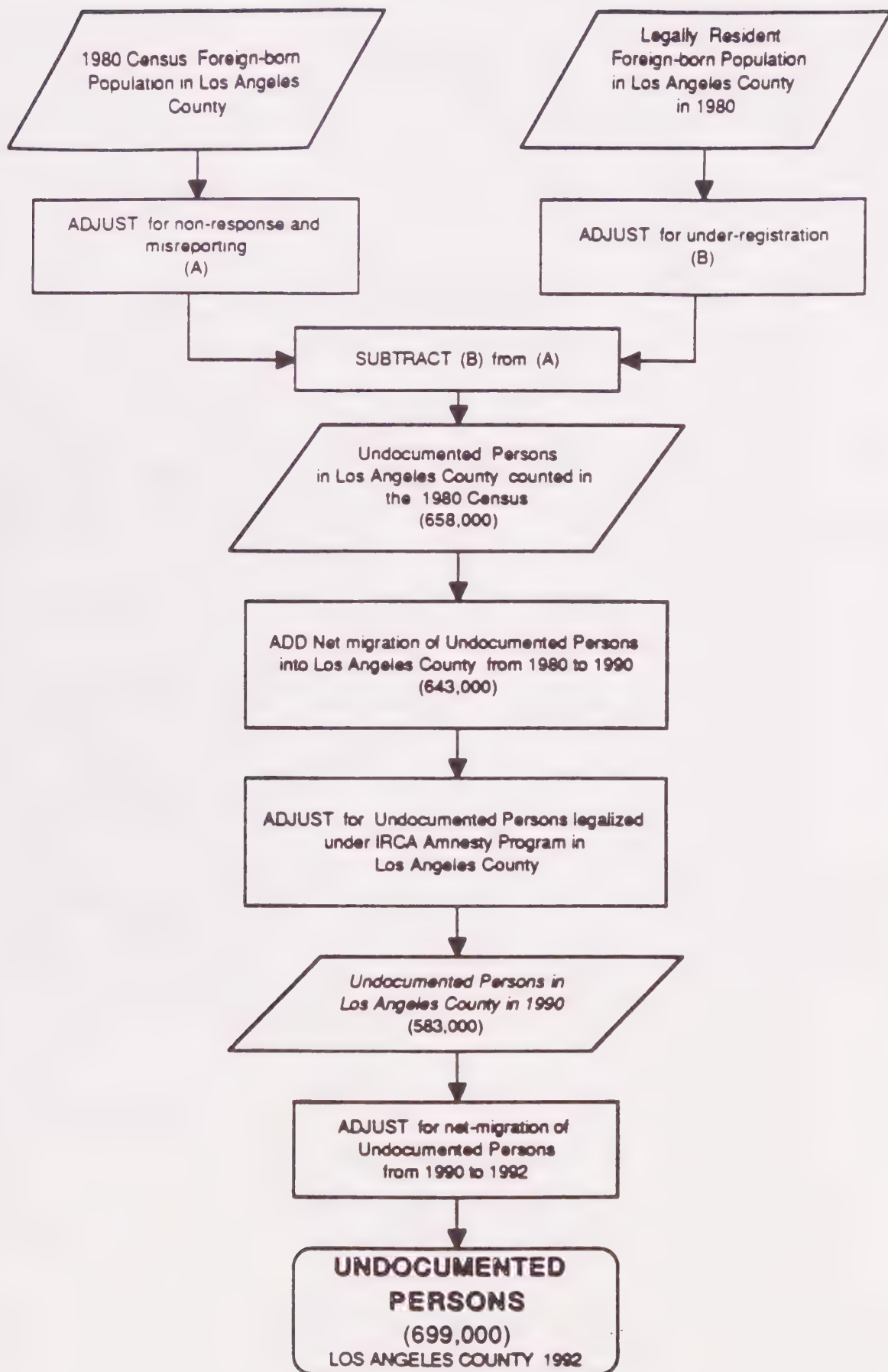
# FIGURE 2 THE WOODROW METHOD FOR ESTIMATING THE NUMBER OF UNDOCUMENTED PERSONS



\*Woodrow's mid-range assumption was that each of the 1 million Special Agricultural Workers was resident for six person-months.



FIGURE 3. METHOD USED IN THIS STUDY TO ESTIMATE THE UNDOCUMENTED POPULATION



## Chapter II. FISCAL IMPACTS OF IMMIGRATION ON LOS ANGELES COUNTY

This chapter discusses the net costs to the County of Los Angeles for services provided to recent legal immigrants, amnesty persons, undocumented persons and the citizen children of undocumented persons and the revenues they generate to all levels of government, including but not limited to the County.

### *Estimating the Net County Cost of Public Services*

#### *Findings*

*Net County costs for the three immigrant groups and citizen children of undocumented persons compared to the rest of the population in 1991-92 were estimated as follows:*

<i>Recent Legal Immigrants</i>	<i>\$352,276,000</i>	<i>11.5%</i>
<i>Amnesty Persons</i>	<i>\$194,450,000</i>	<i>6.3%</i>
<i>Undocumented Persons</i>	<i>\$308,398,000</i>	<i>10.1%</i>
<i>Citizen Children of Undocumented Persons</i>	<i>\$91,581,000</i>	<i>3.0%</i>
<i>SUBTOTAL</i>	<i>\$946,705,000</i>	<i>30.9%</i>
<i>Rest of the Population</i>	<i>\$2,123,290,000</i>	<i>69.1%</i>
<i>TOTAL</i>	<i>\$3,069,995,000</i>	<i>100%</i>

- *The net costs to the County of providing services to the three immigrant groups (recent immigrants here legally under Federal law, persons granted amnesty by the Federal government, and undocumented persons) and to citizen children of undocumented persons in 1991-92 were estimated to be \$947 million and represents 30.9% of total net County costs.*
- *Altogether the three immigrant groups and citizen children of undocumented persons roughly accounted for: \$365 million (68%) of net County costs for the Department of Health Services; \$351 million (23%) of net County costs for justice-related departments; \$102 million (21%) of net County costs for the Department of Public Social Services; and \$5.5 million (16%) of net County costs for the Department of Mental Health.*
- *Recent legal immigrants account for \$84.8 million (83%) of the Department of Public Social Services' cost for the immigrant groups being studied.*
- *All immigrants tend to use health services at a higher rate than the general population, but utilize mental health and children's services at a lower rate.*

- *The roughly \$159 million (52%) in net County costs for health services and \$62 million (20%) in net County costs for justice-related services together accounted for about 72% of the County's total unreimbursed costs for services provided to undocumented persons.*
- *Recent legal immigrants and undocumented persons accounted for 24% and 30% respectively of net county costs for Health Services. On the other hand amnesty persons accounted for only 8% of net County costs because State Legalization Impact Assistance Grant funding from the Federal government reimburses much of the County's gross health costs.*

In this section, 1991-92 estimates of the net County costs of services provided by the County of Los Angeles to recent legal immigrants, amnesty persons, and undocumented persons and their citizen children are compared to net County costs for services provided to other County residents. The study did not cover an estimated 1.1 million foreign-born residents comprised primarily of pre-1980 legal immigrants. Because of their older age, longer residence in the country, and legal status these pre-1980 immigrants would on average generate more revenue than the populations specified by the Board order.

The net County costs of services reflect the County's gross costs less any offsetting intergovernmental revenue from State and Federal sources and other program income, such as user fees and fine or forfeiture revenues, which are counted as departmental revenue in the County Budget. Those offsetting revenues notably account for a high percentage of all revenues to the County. State revenue alone accounts for about one-third and Federal revenue for one-fifth of total County revenues.

The estimated net County costs for the three immigrant groups and the citizen children of undocumented persons were prepared and estimated by County departments. All direct and indirect offsetting revenues were deducted from gross costs to estimate net costs. County departments estimated costs of their services using the actual case data if available. The Health Services Department and the Mental Health Department based their estimates on statistically valid sample surveys which were conducted to claim Federal reimbursement for costs of services provided to amnesty persons.

Those departments that were unable to separate cost of services by immigrant categories, applied the proportions of these study groups in the County population to estimate these costs. This method assumed that the rate of utilization of services was the same throughout the County population. Researchers such as David Hayes-Bautista have pointed out that poor Latinos have lower utilization rates for health and social services than other people in poverty (Hayes-Bautista et al., 1992). However, we estimate that a higher percentage of immigrants are low income and, for those services, actual case or survey data, not population proportions, were used by departments to make cost estimates.



For those services used only by adults or children only their population proportions were used in the calculations. Although data from past surveys were used, no special surveys were conducted for this study. Table 4 on page 34 summarizes the various methods used by County departments to estimate cost of services. To ensure consistency in the cost estimates, departments cleared their estimates with the Chief Administrative Office (CAO) which compared them with the latest estimated actuals for fiscal year 1991-92.

With the exception of certain public assistance programs, all County residents, regardless of their immigration status under Federal law, are eligible to receive services from the County. Actual data on the use of County services by different categories of immigrants are generally available only for those few services for which lawful immigration status is a condition of program eligibility and for which automated individual case records are maintained. It is noteworthy that many County services benefit the population as a whole and are indivisible services which are not provided on an individual client basis. Examples of such services include, but are not limited to, public safety and fire protection, recreational and cultural services, public works, flood control, roads and related services, and general government services. For all such services, the study applied the same per capita costs for immigrants and non-immigrants alike.

The estimates of the net County costs for justice-related services provided by departments, such as the Sheriff, Probation, District Attorney, Public Defender and Municipal and Superior Courts, were generally based on the assumption that the immigrant populations utilize services at the same rate as the general population in absence of actual data. It is noteworthy that some survey data relating to criminal deportable aliens are available from a survey conducted by the Countywide Criminal Justice Coordination Committee (CCJCC) in cooperation with the INS. In this survey INS determined that, in May 1990, 1,933 (or 11%) of the 17,774 inmates released from the County jail system were deportable aliens. This finding was based on their screening of 3,327 inmates who were identified as foreign-born.

A recent follow-up study conducted by CCJCC found that over 40% of deportable aliens from the May 1990 study were later rearrested within 12 months and that 87% of the rearrests occurred within Los Angeles County (Countywide Criminal Justice Coordination Committee, 1990). The study also estimated that the annual impact of deportable aliens on the County's criminal justice system totalled \$75.2 million, assuming that 11% of net County costs for the processing of all adult criminal cases and defendants are attributable to deportable aliens based on the May 1990 Jail survey. That cost estimate notably did not include any civil costs, Sheriff patrol and investigation costs, juvenile criminal justice costs, or criminal justice costs for other adult immigrants who were not subject to deportation under Federal law, all of which are estimated in this study.

Table 5 on page 35 summarizes the estimated net County costs for public services provided to the three immigrant group populations and the rest of the population for fiscal year 1991-92. Cost figures show that the estimated total net cost of County services

provided to the three immigrant groups and citizen children of undocumented persons was \$946,705,000 in fiscal year 1991-92. The three immigrant groups' and the citizen children of undocumented persons' share of the net County cost was 31%, which is higher than their 25% share of the County's population. The share cost of the rest of the population was 69%, which is lower than their 75% share of the County's population.

The average per capita net County costs for each of the three immigrant groups and the rest of the population vary. The per capita net County costs of the amnesty population, \$271, is lower than the per capita net County costs of the rest of the population which is \$308. However, for recent legal immigrants and undocumented immigrants the per capita net County costs are \$557 and \$441, respectively, and higher than the per capita net County costs for the rest of the population. The per capita net County costs of citizen children of undocumented immigrants is \$388. The per capita net County costs for the three immigrant groups and citizen children of undocumented is \$414.

The differences in the average per capita costs for each group reflect a combination of factors, including their eligibility for services, service utilization rates, and availability of offsetting Federal or State revenue, and other program income.

This is especially true for the net County costs of services provided by the Departments of Health Services and Public Social Services, which together account for nearly half of the County's total net County costs on the three immigrant groups and the citizen children of the undocumented persons. The net County costs for health services provided to immigrants are high primarily because they use services at a much higher rate than the general population. The three immigrant groups and citizen children of undocumented together account for over 60% of all County health patients, and undocumented persons alone account for nearly one-fourth of all patients. The net County costs for health services is also affected by the amount of offsetting intergovernmental, self-pay, and other revenue that the County receives. For example, amnesty persons account for nearly 15% of all County patients, but only 7.6% of net County costs for health services because State Legalization Impact Assistance Grant (SLIAG) funding from the Federal government reimburses much of the County's costs. Without SLIAG funding, the net County costs for amnesty persons would be significantly higher.

The impact of the three immigrant groups on net County costs incurred by the Department of Social Services (DPSS) is particularly affected by the eligibility of immigrants for public assistance and the availability of Federal and State funding. For example, DPSS' net County costs for legal immigrants is significantly higher than for other immigrants because they are the only group which participates in all DPSS' programs. The eligibility of undocumented persons and amnesty persons for public cash assistance benefits notably are restricted under Federal and State law.



Because DPSS and DHS were not able to separate cost estimates for legal immigrants by date of entry, their cost estimates for recent legal immigrants are biased upward by the inclusion of legal immigrants who entered the United States before 1980.

It is noteworthy that the Department of Public Social Services' net County costs for citizen children of undocumented persons is much lower than for recent legal immigrants even though legal immigrants use services at a much lower rate. This is because citizen children of undocumented persons heavily utilize Aid to Families with Dependent Children (AFDC) benefits which are mainly financed by the Federal and State governments, but are not served by the wholly County-funded General Relief program, which serves indigent adults.

It is also noteworthy that, except for County-funded General Relief, public assistance provided by DPSS is primarily funded by the Federal and State governments. In 1991-92, over \$2.3 billion of DPSS' estimated 2.8 billion in gross costs were offset by Federal and State revenues, leaving \$478 million in remaining net County costs. In terms of the four immigrant study populations, DPSS incurred \$872 million in total gross costs, of which \$415 million were offset by Federal revenue and \$355 million by State revenue, which left \$102 million in net County costs. Those intergovernmental revenues to the County notably represented costs to Federal and State governments.

The only department that based their entire cost statistics on actual data was the Department of Public Social Services. Since lawful immigration status is a condition of eligibility for persons receiving cash assistance there is no County cost related to undocumented persons. The State Department of Social Services conducts ongoing quality control audits to determine the existence of fraudulent use of social services by ineligible persons. In a recent review of audit findings covering the past two years, no instances of undocumented aliens fraudulently receiving aid for themselves as citizens or legal aliens were found in cases reviewed by the State. DPSS verifies the eligibility status of all non-citizens applying for or receiving federal public assistance using INS' Systematic Alien Verification for Entitlement (SAVE) system.

Studies of amnesty persons suggest negligible utilization of welfare services by undocumented persons. For example a study conducted by Comprehensive Adult Student Assessment System (CASAS) found that only 2% of the IRCA population utilized welfare services while they were undocumented. A survey of the amnesty population in Los Angeles County conducted by Westat shows similarly low utilization rates. The Westat survey found that 1.2% of all amnesty persons had previously had received General assistance before applying for amnesty status, 2.5% were receiving General Assistance, and 4.2% had previously received Food Stamps assistance. The survey questions in both the above studies specifically asked whether the amnesty respondent or any family member living in the same household had received public assistance. To the extent that other family members may have been citizens or legal immigrants, the actual percentage of undocumented persons who received welfare would be lower.



**Table 4. Methods of Estimating Net County Costs for Services Provided to Subpopulation, Fiscal Year 1991-92.**

Subpopulation				
Departments	General Legal Assistance	Amnesty Persons	Undocumented Persons	Citizen Children of Undocumented
Children's Services	Adjusted Population % <sup>1</sup>	Actual cases	Adjusted population % <sup>1</sup>	Adjusted population % <sup>1</sup>
District Attorney	Population %	Population %	Population %	Population %
Health Services	Sample survey <sup>2</sup>	Sample survey <sup>2</sup>	Sample survey <sup>2</sup>	Sample survey <sup>2</sup>
Mental Health	Sample survey <sup>2</sup>	Sample survey <sup>2</sup>	Sample survey <sup>2</sup>	Sample survey <sup>2</sup>
Municipal Courts	Population %	Population %	Population %	not applicable
Probation	Population %	Population %	Actual cases & Population % <sup>3</sup>	Population %
Public Defender	Population %	Population %	Population %	Population %
Sheriff	Population %	Population %	Population %	Population %
Public Social Services	Actual cases	Actual cases	not applicable	Actual cases
Superior Court	Population %	Population %	Survey & Population % <sup>4</sup>	Population %
All Other Departments	Population %	Population %	Population %	Population %

<sup>1</sup> Population proportions were applied to the actual number of children served by this department.

<sup>2</sup> Survey conducted for the purpose of claiming Federal reimbursement for cost of services to Amnesty persons.

<sup>3</sup> Actual cases were used for juvenile probation costs and population proportions were applied for adult probation costs.

<sup>4</sup> For criminal cases, a 1990 Countywide Criminal Justice Coordination Committee study on criminal aliens in the County jail population was used. For juvenile delinquency cases, Probation Department data were used, and for non-criminal program areas population proportions were applied.

**Table 5.** Estimated Net County Costs of Services Provided to Subpopulation, Fiscal Year 1991-92.

Departments	Group						TOTAL
	Recent Legal Immigrants	Amnesty Persons	Undocumented Persons	Citizen Children of Undocumented	SUBTOTAL <sup>a</sup> Study Populations	Rest of the Population	
Children's Services	\$890,000	\$155,000	\$155,000	\$521,000	\$1,721,000	\$35,144,000	\$36,865,000
District Attorney	\$10,053,000	\$12,767,000	\$11,121,000	\$726,000	\$34,666,000	\$100,269,000	\$134,938,000
Health Services	\$127,808,000 <sup>b</sup>	\$41,163,000	\$159,466,000	\$36,629,000	\$365,066,000	\$173,495,000	\$538,561,000
Mental Health	\$2,326,000	\$1,491,000	\$1,212,000	\$527,000	\$5,556,000	\$30,290,000	\$35,846,000
Municipal Courts	\$9,368,000	\$12,366,000	\$10,368,000	N/A	\$32,102,000	\$92,808,000	\$124,910,000
Probation	\$14,958,000	\$9,970,000	\$13,336,000	\$7,300,000	\$44,564,000	\$197,302,000	\$241,866,000
Public Defender	\$5,883,000	\$7,468,000	\$6,499,000	\$672,000	\$20,522,000	\$60,229,000	\$80,751,000
Sheriff	\$56,649,000	\$63,512,000	\$61,696,000	\$12,974,000	\$193,833,000	\$615,912,000	\$809,745,000
Public Social Services	\$84,770,000 <sup>b</sup>	\$1,100,000	0	\$16,164,000 <sup>c</sup>	\$102,034,000	\$373,926,000	\$475,960,000
Superior Court	\$7,025,000	\$7,637,000	\$7,994,000	\$3,426,000	\$25,582,000	\$78,802,000	\$104,364,000
All Other Departments	\$33,546,000	\$37,921,000	\$36,949,000	\$12,640,000	\$121,056,000	\$365,113,000	\$486,169,000
<b>TOTAL</b>	<b>\$362,276,000</b>	<b>\$194,460,000</b>	<b>\$308,398,000</b>	<b>\$91,581,000</b>	<b>\$946,705,000</b>	<b>\$2,123,290,000</b>	<b>\$3,069,995,000</b>

- <sup>a</sup> The sum of the cost of Amnesty Persons, Citizen Children of Undocumented Persons, Recent Legal Immigrants, and Undocumented Persons.
- <sup>b</sup> All legal immigrants regardless of date of entry into the United States.
- <sup>c</sup> Children in the Aid to Families with Dependent Children (AFDC) household, where at least one parent is Undocumented or an Amnesty Person.

Table 6. Estimated Percent of Net County Costs by Subpopulation, Fiscal Year 1991-92.

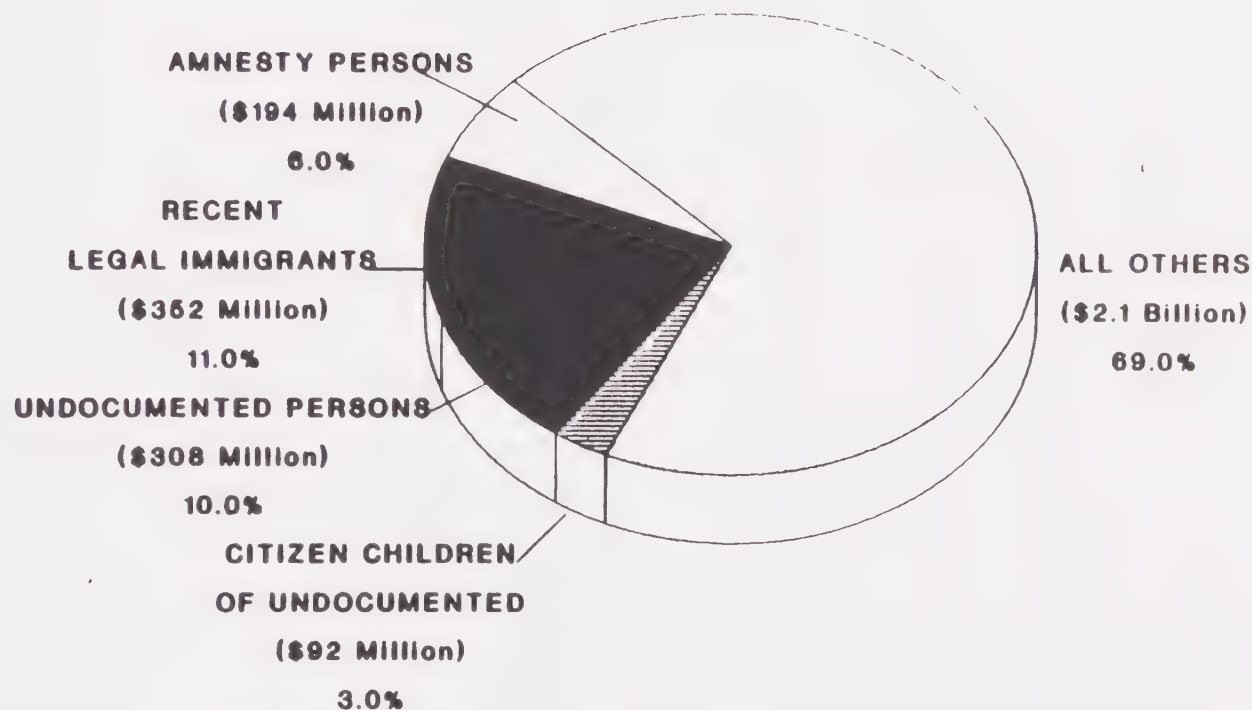
STUDY POPULATIONS							
Departments	Amnesty Persons	Citizen Children of Undocumented	Recent Legal Immigrants	Undocumented Persons	SUBTOTAL* Study Populations	Rest of the Population	TOTAL
Children's Services	0.4%	1.4%	2.4%	0.4%	4.7%	95.3%	100%
District Attorney	9.5%	0.5%	7.5%	8.2%	25.7%	74.3%	100%
Health Services	7.8%	8.8%	23.7% <sup>b</sup>	29.0%	67.8%	32.2%	100%
Mental Health	4.2%	1.5%	6.5%	3.4%	15.5%	84.5%	100%
Municipal Courts	9.9%	N/A	7.5%	8.3%	25.7%	74.3%	100%
Probation	3.7%	3.0%	6.2%	5.5%	18.4%	81.6%	100%
Public Defender	9.3%	0.8%	7.3%	8.1%	25.4%	74.6%	100%
Sheriff	7.8%	1.8%	8.9%	7.6%	23.9%	76.1%	100%
Public Social Services	0.2%	3.4% <sup>c</sup>	17.8% <sup>b</sup>	0%	21.4%	78.6%	100%
Superior Court	7.2%	3.3%	6.7%	7.3%	24.5%	75.5%	100%
All Other Departments	7.8%	2.8%	6.9%	7.6%	24.9%	75.1%	100%
TOTAL	6.3%	3.0%	11.5%	10.1%	30.8%	69.2%	100%

- \* The sum of the cost of Amnesty Persons, Citizen Children of Undocumented Persons, Recent Legal Immigrants, and Undocumented Persons.
- <sup>a</sup> All legal immigrants regardless of date of entry into the United States.
- <sup>b</sup> Children in the Aid to Families with Dependent Children (AFDC) household, where at least one parent is Undocumented or an Amnesty Person.



**CHART 2.**

**ESTIMATED NET COUNTY COSTS  
FOR SERVICES PROVIDED  
BY COUNTY OF LOS ANGELES, 1991-92**



### ***Need for Information Systems on Immigrant Service Costs***

In March 1992, a letter from the Los Angeles County Grand Jury was forwarded to the Chief Administrative Office (CAO) and Internal Services Department (ISD). The 1991-92 Grand Jury provided a series of recommendations based on a Grand Jury management audit conducted in 1987 and their ongoing study of immigrant service costs and potential solutions. The Grand Jury expressed concern that "there has been little improvement in the existing system for data collection and cost estimation since 1987." It recommended that each department involved in the Board study develop plans for enhancing existing and potential data collection and costing systems. It also asked that each department develop "recommendations to mitigate costs which the County can pursue under prevailing local, state, and federal laws. In addition, each department should identify areas in which changes to Federal and State laws or budget augmentations may need to occur."

The Grand Jury recommendations, however, were not specifically addressed in the study because they are beyond the scope of the Board order.

### ***Estimated Revenues to All Levels of Government***

#### ***Findings***

#### ***Revenues Generated to All Levels of Government***

*The total revenues to all levels of government generated by the three immigrant groups and the rest of the County's population in 1991-92 were as follows:*

<i>Recent Legal Immigrants</i>	<i>\$1,887,800,000</i>	<i>3.8%</i>
<i>Amnesty Persons</i>	<i>\$1,540,600,000</i>	<i>3.1%</i>
<i>Undocumented Persons</i>	<i>\$904,100,000</i>	<i>1.8%</i>
 <i>SUBTOTAL</i>	 <i>\$4,332,500,000</i>	 <i>8.7%</i>
 <i>Rest of the Population</i>	 <i>\$44,875,800,000</i>	 <i>91.3%</i>
 <i>TOTAL</i>	 <i>\$49,208,300,000</i>	 <i>100%</i>

- ***Altogether revenues generated by the three immigrant groups to all levels of government in 1991-92 were estimated to be \$4.3 billion, or 8.7%, of the \$49.2 billion in revenues collected from all households in Los Angeles County.***

Revenues Generated by the Immigrant Groups to Each Level of Government

The revenues generated by the three immigrant groups to each level of government in 1991-92 were as follows:

County	\$139,100,000	3.2%
State	\$1,237,300,000	28.6%
Federal	\$2,599,600,000	60.0%
Other Local	\$356,600,000	8.2%
Total	\$4,332,500,000	100%

- The Federal government receives the largest share of revenues followed by the State, then local entities, and the County receives the least.
- Of the \$4.3 billion revenues generated by the three immigrant groups (recent legal immigrants, amnesty persons, and undocumented persons) in 1991-92, about \$2.6 billion (60%) went to the Federal government, \$1.2 billion (29%) to the State government, \$357 million (8%) to other local entities, and \$139 million (3%) to the County of Los Angeles.

Revenues Generated to the County of Los Angeles

The breakdown of the revenues collected by the County from the three immigrant groups and the rest of the County's population in 1991-92 were estimated as follows:

Recent Legal Immigrants	\$ 55,800,000	4.0%
Amnesty Persons	\$ 47,100,000	3.4%
Undocumented Persons	\$ 36,200,000	2.6%
SUBTOTAL	\$139,100,000	10.0%
Rest of the Population	\$1,257,900,000	90.0%
TOTAL	\$1,397,000,000	100%

- All three immigrant groups generated about \$139 million (10%) of revenues to Los Angeles County in the year studied, while about \$1.25 billion (90%) of the revenue was generated by the rest of the population.

Table 8 on page 50 shows revenues generated by immigrants to the County of Los Angeles in the year studied. These estimates suggest the following:



- Altogether the three immigrant groups accounted for about \$134 million (10%) of County property tax revenues and about \$5 million (15%) of County sales tax revenues.

#### Revenues Generated to the State of California

The State revenues generated by each immigrant group and the rest of the population in 1991-92 were as follows:

Recent Legal Immigrants	\$486,500,000	4.1%
Amnesty Persons	\$451,100,000	3.8%
Undocumented Persons	\$299,700,000	2.5%
<b>SUBTOTAL</b>	<b>\$1,237,300,000</b>	<b>10.4%</b>
Rest of the Population	\$10,704,700,000	89.6%
<b>TOTAL</b>	<b>\$11,942,000,000</b>	<b>100%</b>

- The three immigrant groups together generated about 10% (or \$1.2 billion) of the total revenue generated by Los Angeles County residents to the State of California.
- Altogether the three immigrant groups generate about nine times more revenue to the State of California than to the County of Los Angeles.

#### Revenues Generated to the Federal Government

Federal revenues generated by immigrant group and the rest of the County's population in 1991-92 were as follows:

Recent Legal Immigrants	\$ 1,212,600,000	3.7%
Amnesty Persons	\$909,700,000	2.8%
Undocumented Persons	\$477,300,000	1.4%
<b>SUBTOTAL</b>	<b>\$2,599,600,000</b>	<b>7.9%</b>
Rest of the Population	\$30,375,800,000	92.1%
<b>TOTAL</b>	<b>\$32,975,400,000</b>	<b>100%</b>

- The three immigrant groups together generated about 8% (or \$2.6 billion) of the total revenue generated by County residents to the Federal government.

- **Altogether the three immigrant groups generate about eighteen times more revenue to the Federal government than to the County of Los Angeles.**

#### Revenues Generated to Other Local Entities

Other revenues were generated to local governmental entities in Los Angeles County, such as cities and school districts. The revenues generated to local governmental entities other than the County of Los Angeles by the three immigrant groups compared to the rest of the County's population in 1991-92 were as follows:

Recent Legal Immigrants	\$133,000,000	4.6%
Amnesty Persons	\$132,700,000	4.6%
Undocumented Persons	\$90,900,000	3.1%
<b>SUBTOTAL</b>	<b>\$356,600,000</b>	<b>12.3%</b>
Rest of the Population	\$2,537,500,000	87.7%
<b>TOTAL</b>	<b>\$2,894,100,000</b>	<b>100%</b>

- **The three immigrant groups together generated \$357 million (12%) of total local revenues in the fiscal year 1991-92.**
- **Altogether the three immigrant groups generate about two and one-half times more revenue to other local government entities than to the County of Los Angeles.**

#### Estimated Costs and Revenues at the County Level

The estimated net County costs for services provided to recent legal immigrants, amnesty persons, undocumented persons and their citizen children exceeded estimated County revenues generated from them in fiscal year 1991-92, as shown below. When comparing net County costs with revenues, it should be noted that revenues paid by businesses were not counted.

• Net County costs experienced:	\$948,705,000
• County revenues generated:	\$139,100,000
• Difference:	\$807,605,000

- **Net County costs for services provided to the three Immigrant groups (recent Immigrants here legally under Federal law, persons granted amnesty by the Federal government, and undocumented persons) and citizen children of undocumented persons exceeded County revenues from them by \$807.6 million.**

**Revenues Generated by the Amnesty Population in their Initial Five Years of Legal Status**

The estimated revenues generated by the amnesty population in Los Angeles County during the first five years of their legal status were as follows:

County	\$218,000,000	3.1%
State	\$2,088,500,000	29.3%
Federal	\$4,211,700,000	59.0%
Other Local	\$614,400,000	8.6%
Total	\$7,132,600,000	100%

- **During their first five years of legal status under Federal law while they were ineligible for most Federal public assistance benefits, amnesty persons generated about \$7.1 billion in revenues to all levels of government of which 59% (\$4.2 billion) went to the Federal government.**



## **Background**

The revenue analysis in this study is focused on the origin and destination of the major sources of tax revenue paid to government agencies by individuals and families.

We have not included in the study revenues from corporations and businesses. The major tax in this category is the corporate income taxes that are imposed by both the State of California and the federal government. For the State, the Bank and Corporate tax provides about 14% of general fund revenue while it provides just over 9% of federal revenues. Economists do not agree on who pays corporate taxes. Some believe that such taxes are paid by owners of capital, while others contend they are passed on to consumers. Still others believe it probably depends on a multitude of factors including the nature of the industry and the economic climate. In a competitive market it is probably the owners of capital who bear most of the burden. In a monopolistic industry such as public utilities, it is probably the consumer who bears most of the tax. There is also the problem of allocating taxes for the many corporations whose incomes and sales are derived primarily from outside Los Angeles County.

We have concentrated on the major taxes collected directly from families and individuals. At the federal level we have included the federal income tax, social security, unemployment insurance, and the excise taxes on alcohol and tobacco. At the state level we have included the personal income tax, sales tax, vehicle license and registration fees, lottery revenue, and excise taxes on alcohol and tobacco. At the County level we have included the portion of the property tax and sales tax that are paid by individuals.

Other sources of revenues generated from individuals include fines, fees and penalties and other program revenues received by various County departments. Those revenues are not included in this section because they have already been subtracted from gross County costs to calculate net County costs for services provided to immigrants, as reported elsewhere in this study. Only 50% of lottery revenues are appropriated by the government, the rest is disbursed to lottery winners. We have, therefore, counted only half the estimated lottery receipts as revenue.

Together, these taxes generate an estimated \$49.1 billion in revenue to all levels of government and take about 29% of the personal income of Los Angeles residents. The federal tax sources we have included constitute over 83% of federal income, and the state sources represent about 82% of California general fund collections. At the county level 20% of the general fund revenue comes in inter-governmental transfers from the federal government and 33% from the State. The property tax provides the majority of revenue raised directly by the county. Residential properties account for approximately 63% of real property assessments. A large portion of the remaining

revenue is generated by businesses, in particular non-residential property taxes, licenses and fees.

A caution to the use of these results that must be stressed is the estimated revenue generated by these immigrant groups is a function of the income assigned to these populations. If our income estimates are too low, then the revenue that is generated by these immigrant groups is too low.

### ***Revenue Sent to Home Country***

It is widely acknowledged that immigrants provide considerable support for their sending countries by remittances to families at home. Laurie Gill (1990) estimates that Mexican immigrants to the United States remit some \$6 billion dollars to their home country each year. This was equivalent to 29% of Mexico's export earnings in 1988. In testimony before the U. S. Congress in 1986, Maura Bracket of the Agency for International Development estimated that Mexican citizens in the United States send \$1 to \$2 billion per year to Mexico. Assuming that one-third of the Mexican immigrants live in Los Angeles County, the first estimate yields \$2.0 billion in 1988 and the second estimate yields about \$500 million in 1986 remitted from Los Angeles County to Mexico. The discrepancy would be only partially explained by inflation and changes in the size of the immigrant population in the U.S. The latter estimate is more consistent with estimates that can be derived from the Westat survey of the amnesty population. In that survey the Los Angeles sample reported sending to their home countries an average of \$1,087 per family. In the Westat survey a family was defined as all immediate family members, e.g. brothers, sisters, in-laws, parents and children.

In the revenue model a family is treated as a tax unit. A household composed of two adult brothers, their spouses and the parents of the brothers would be a single family in the Westat survey but would be three families (tax units) in the revenue model. If we use the revenue model count of families, adjust the \$1,087 per family by 10% for inflation, the total amount remitted (to all home countries) by the three immigrant groups of this study would be \$1.3 billion. If we assume that households would more closely approximate the Westat definition of family then the calculation yields \$735 million each year in remittances. An average of the two estimates would indicate about \$1 billion each year to all countries. If we assume that Mexican origin represents about 70% of the three immigrant groups then we would calculate that about \$700 million were remitted in 1992 to Mexico from Los Angeles County.

We did not try to adjust the expenditure patterns of the immigrant groups in this study for remittances to their home country. Our revenue estimates for immigrants, therefore, err on the high side to the extent that remittances sent to relatives outside the County result in lower expenditures on goods subject to sales, property, and other



consumption-based taxes. Other studies, for example the RAND study (McCarthy and Valdez, 1986), reduced incomes for their immigrant populations to account for this pattern of remittances.

### *The Revenue Model*

A study of tax revenue generated by segments of the population would ideally start with a set of records that profile the economic and social characteristics of representative members of each segment of the population. Tax rules would then be applied to the records that describe households and the contribution of a given sub-population can be summarized. This approach to tax and revenue analysis is termed microsimulation. That type of model has been used extensively at the national level and also at the state level in the study of tax policy. For Los Angeles County, no such model exists and both time and data constraints prevented the development of such a model for this study. We have, therefore, developed an alternative approach using aggregate data. Each population is described by a matrix of age, income, and household characteristics. Tax rates are then applied to this matrix. This is not, however, a definitive study of this issue and should be viewed as an estimate, not a precise answer to the question of revenues collected from these segments of the immigrant population.

Estimates of revenue generation come from our revenue model. The goal of this model is to estimate tax revenue that is paid by the three immigrant groups in Los Angeles County. The basic assumption in the model is that taxes paid are primarily a function of household and family income.

The revenue model applies tax rates to an aggregate description of four groups. These groups are: 1) recent legal immigrants; 2) amnesty persons; 3) undocumented persons; and 4) rest of the population of Los Angeles County. It should be noted that the rest of the population of Los Angeles County also contains immigrants who entered the County before 1980. The immigrants in the rest of the population group are older, more established immigrants, and, therefore, of higher income. The three immigrant groups depicted here represent a large proportion of the low income segment of Los Angeles County's immigrant population.

The basic unit of analysis is the household. In the model we assume that a household is exclusively composed of individuals in a single study population. While we know this is not the situation in reality, we believe any bias is small. This is because the tax calculation is based on economic status and as long as we have accurately described the economic situation of each group we should be correctly depicting the tax contribution. Starting the description of the populations with households was done for two reasons. The first, is that property taxes are associated with a housing unit. Households occupy housing units and therefore households pay



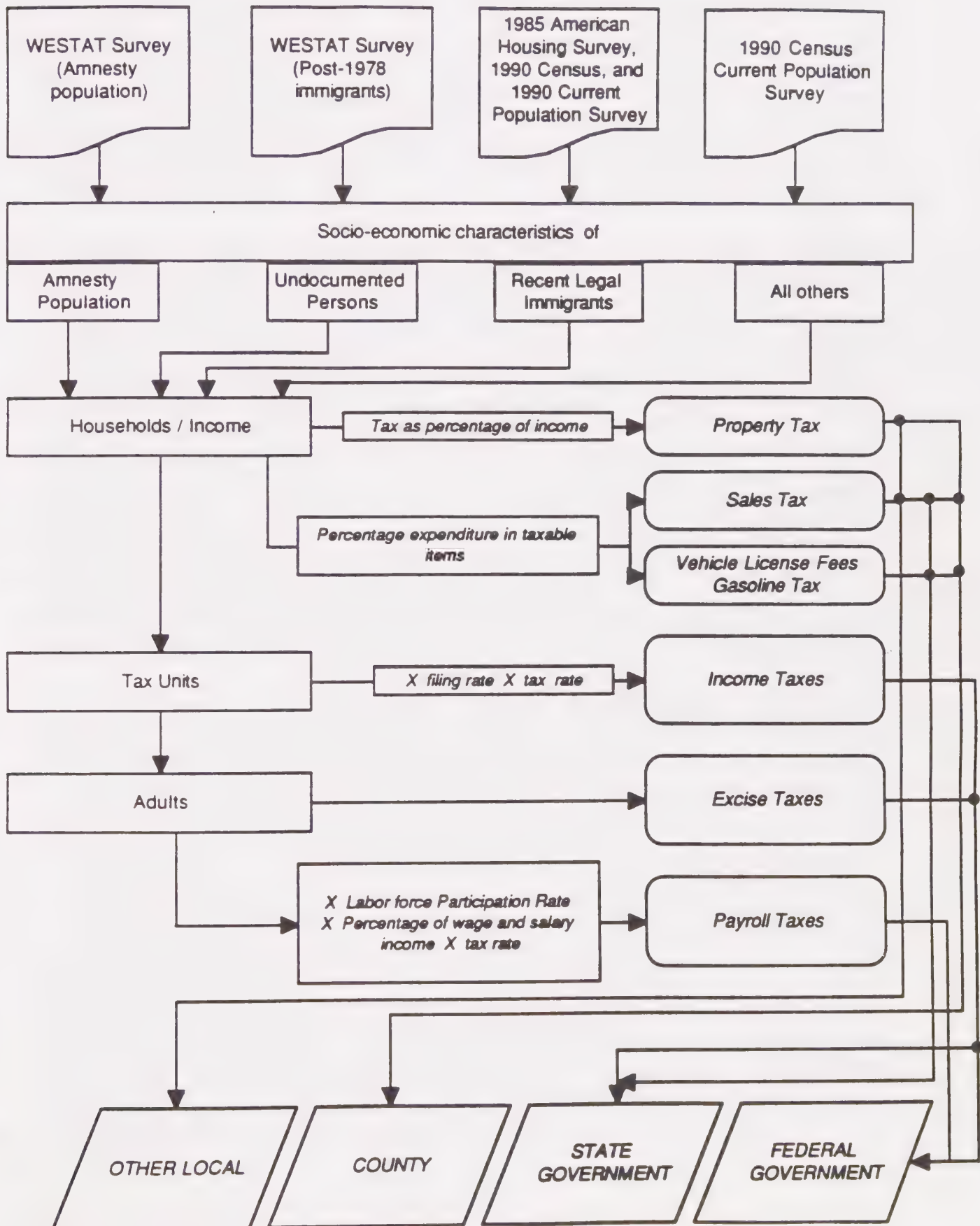
the property tax. The second, is that consumer expenditures, which we use to estimate sales and vehicle related taxes, are based on households.

Income taxes are paid by family units (or un-related individuals) within the household. In the model, a percentage of households in each group is assumed to be composed of multiple families (or individuals). In order to estimate the tax revenue collected from families and households, we estimate the income of the family, what proportion of the household income is spent on taxable consumer goods and the housing characteristics of the group. For example, on average we assume those who live in more expensive housing will pay a higher property tax. Age of the head of household is also a factor in determining tax liability. Retired people on social security income will have a lower tax liability than younger persons with the same income because social security income is not taxable in the State tax system and only partially taxable in the federal system.

The data sources used to determine the characteristics of the study populations include the 1990 Current Population Survey, the 1989 American Housing Survey, the Westat Survey, and the 1990 Census. For income and payroll tax rates, Statistics of Income (U.S. Internal Revenue Service, 1991) Bulletin published by the federal government and the California Franchise Tax Board Annual Report, 1989 were used. The California Governor's Budget and the President's Budget were also used to determine total amounts of revenue collected from these tax sources. Excise tax rates were obtained from the California State Board of Equalization. Data on motor vehicle registrations were obtained from the California Department of Motor Vehicles.

Figure 4 shows a diagram of the model design. A more detailed description of the income and tax rate assumptions, used in the model, is given in Appendix B.

FIGURE 4. THE REVENUE MODEL





## **Revenue Summary**

Estimates of tax revenue generated by each of the three immigrant groups and the rest of the population of Los Angeles County are given in Table 7 through Table 11 on pages 50 through 52. The revenue sources include: property taxes, sales taxes, payroll taxes (Social Security and unemployment insurance), federal income tax, state income tax, vehicle license and registration fees, gasoline taxes, lottery revenues and federal and state excise taxes.

The accuracy of these estimates is dependent on the accuracy of our descriptions of these populations, both in sheer numbers and income distributions. A more detailed description of the assumptions used in the revenue calculations is given in Appendix B. By far the most critical assumption is that of income. If we increase our assumption of income tax compliance rates, for example, the primary tax affected would be the Social Security payroll tax, since, based on their estimated income levels, many of the immigrant households would not owe income taxes even if they filed a tax return. Both the Franchise Tax Board (FTB) and the Internal Revenue Service report the number of tax returns filed and the amount of taxes collected by income group. The most recent data available are for 1989. The revenue model generates a total of the number of taxable returns being filed under these assumptions and the results indicate that the model is, overall, possibly assuming too high a rate of compliance. If we lower the rate of tax compliance in the highest group, the rest of the population, however, we generate too few taxes from the upper income groups. We, thus, assumed that our rate of compliance in the high income groups is probably correct, and that compliance rates in the lowest income groups may be too high.

In a report from the Center for U.S. Mexican Studies (Cornelius, 1982), the author notes several studies that show high proportions of immigrants for whom taxes are withheld from wages (70-90%) but a low proportion of immigrants (21-33%) who filed a tax return. For low income workers the implication is that many of them do not claim the refund due. This is a difficult situation to address. We have assumed that if wages have been reported to the IRS or FTB the taxpayer is likely to file a tax return since the chance of being detected is increased by not filing a tax return. Evidence of this was shown in 1989 when a requirement to report the wages of farmworkers was implemented by the IRS. That year a large increase of federal tax filings occurred in California. In addition, a worker earning minimum wage would be exempt from withholding for income tax (but not Social Security payroll taxes) if the wage-earner claimed dependents. Tax law allows citizens of Mexico and Canada to claim dependents living in their home country. Prior work with tax records indicates considerable use of that provision. There is no such exemption from Social Security payroll taxes, however, and to the extent that withholding exceeds filing rates it is the FICA (Federal Insurance Contributions Act) tax that is most likely to be affected. Since we have no firm data on the extent to which this occurs and the filing and



employer reporting are largely unknown we have not tried to deal with this issue. In comparing the revenues generated by these populations, it is important to note the size of populations as given in Chapter I. The recent legal immigrants, for example, pay less in total to FICA than does the amnesty population, despite the higher income of the former group. This is because the recent legal immigration population is 30% smaller than the amnesty population. On a per capita basis, the recent legal immigrants pay more than the other two immigrant groups. Children are assigned to the same group as their mother.

Table 7 on page 50 gives the summary of revenues by level of government and study population. Table 8 through Table 11 on pages 50 through 52 give the revenue detail for each level of government: County of Los Angeles, State of California, U.S. Federal government and "Other Local" entities. The category "Other Local" includes schools, cities and the Los Angeles County Transportation Commission (LACTC). In each case the total tax and per capita tax collected by the agency is also shown. Row and column totals show differences due to rounding.

As seen in Table 7 the federal government is the largest beneficiary of tax revenues generated by Los Angeles County residents. Approximately 67% of the taxes collected goes to the federal government. For the immigrant populations about 61% goes to the federal government. The reason for this is primarily the social security tax (FICA).

The three immigrant groups represent a large proportion of the low income population of Los Angeles County. The income tax system in the State of California is among the most progressive in the nation. That is the single most important factor in the low contribution rate of these immigrants to State income taxes. The federal income tax system, though less progressive than the State's, still excludes the lowest income populations from taxation. They contribute most to those revenue sources that are based on consumption. This is consistent with the observations of other researchers cited in Chapter V who conclude that even if tax compliance were complete the extra tax revenue generated would be small.

**Table 7.** Estimated Revenues by Government Agencies by Subpopulation, Fiscal Year 1991-92.

Agency	Recent Legal Immigrants	Amnesty Population	Undocumented Population	SUBTOTAL	Rest of the Population	TOTAL
Federal	\$1,212,600,000	\$909,700,000	\$477,300,000	\$2,599,600,000	\$30,375,800,000	\$32,975,400,000
State	\$486,500,000	\$451,100,000	\$299,700,000	\$1,237,200,000	\$10,704,700,000	\$11,941,900,000
County	\$55,800,000	\$47,100,000	\$36,200,000	\$139,100,000	\$1,257,800,000	\$1,396,900,000
Other Local	\$133,000,000	\$132,700,000	\$90,900,000	\$356,600,000	\$2,537,500,000	\$2,894,100,000
<b>TOTAL</b>	<b>\$1,887,800,000</b>	<b>\$1,540,600,000</b>	<b>\$904,100,000</b>	<b>\$4,332,500,000</b>	<b>\$44,875,800,000</b>	<b>\$49,208,300,000</b>
Per Taxpayer	\$3,731	\$2,296	\$1,617	\$2,496	\$9,073	\$7,364

**Table 8.** Estimated Revenues Generated to Los Angeles County by Subpopulation, Fiscal Year 1991-92.

Revenues	Recent Legal Immigrants	Amnesty Population	Undocumented Population	SUBTOTAL	Rest of the Population	TOTAL
Property Tax	\$54,100,000	\$45,200,000	\$35,000,000	\$134,400,000	\$1,230,800,000	\$1,365,200,000
Sales Tax	\$1,700,000	\$1,900,000	\$1,200,000	\$4,800,000	\$27,000,000	\$31,800,000
<b>TOTAL</b>	<b>\$55,800,000</b>	<b>\$47,100,000</b>	<b>\$36,200,000</b>	<b>\$139,100,000</b>	<b>\$1,257,800,000</b>	<b>\$1,396,900,000</b>
Per Taxpayer	\$110	\$70	\$65	\$80	\$254	\$209

Table 9. Estimated Revenues Generated to the State of California by Subpopulation, Fiscal Year 1991-92.

Revenue	Recent Legal Immigrants	Ancestry Population	Undocumented Population	SUBTOTAL	Rest of the Population	TOTAL
Sales Tax	\$236,900,000	\$266,900,000	\$168,700,000	\$672,500,000	\$3,830,500,000	\$4,503,000,000
Income Tax	\$118,900,000	\$41,900,000	\$17,200,000	\$178,000,000	\$5,010,300,000	\$5,188,300,000
Vehicle License Fees (VLF)	\$40,600,000	\$39,900,000	\$31,100,000	\$111,600,000	\$659,800,000	\$771,400,000
Vehicle Registrations (VR)	\$19,700,000	\$19,300,000	\$15,100,000	\$54,100,000	\$319,700,000	\$373,800,000
Excise Tax	\$23,300,000	\$31,000,000	\$25,800,000	\$80,100,000	\$227,900,000	\$308,000,000
Gasoline Tax	\$30,300,000	\$29,800,000	\$23,300,000	\$83,400,000	\$492,900,000	\$576,300,000
Lottery Revenues	\$16,700,000	\$22,200,000	\$18,500,000	\$57,500,000	\$163,500,000	\$221,000,000
<b>TOTAL</b>	<b>\$486,500,000</b>	<b>\$451,100,000</b>	<b>\$299,700,000</b>	<b>\$1,237,200,000</b>	<b>\$10,704,700,000</b>	<b>\$11,941,900,000</b>
Per Taxpayer	\$261	\$672	\$536	\$713	\$2,164	\$1,787



Table 10. Estimated Revenues Generated to the Federal Government by Subpopulation, Fiscal Year 1991-92.

Revenues	Recent Legal Immigrants	Amnesty Population	Undocumented Population	SUBTOTAL	Rest of the Population	TOTAL
Payroll Tax	\$585,500,000	\$627,400,000	\$339,400,000	\$1,552,300,000	\$11,040,200,000	\$12,592,500,000
Income Tax	\$557,200,000	\$201,300,000	\$72,300,000	\$830,700,000	\$18,429,200,000	\$19,259,900,000
Gasoline Tax	\$34,400,000	\$33,800,000	\$26,400,000	\$94,700,000	\$559,300,000	\$654,000,000
Excise Tax	\$35,500,000	\$47,200,000	\$39,200,000	\$121,900,000	\$347,100,000	\$469,000,000
<b>TOTAL</b>	<b>\$1,212,600,000</b>	<b>\$909,700,000</b>	<b>\$477,300,000</b>	<b>\$2,599,600,000</b>	<b>\$30,375,800,000</b>	<b>\$32,975,400,000</b>
Per Taxpayer	\$2,397	\$1,356	\$854	\$1,497	\$6,141	\$4,935

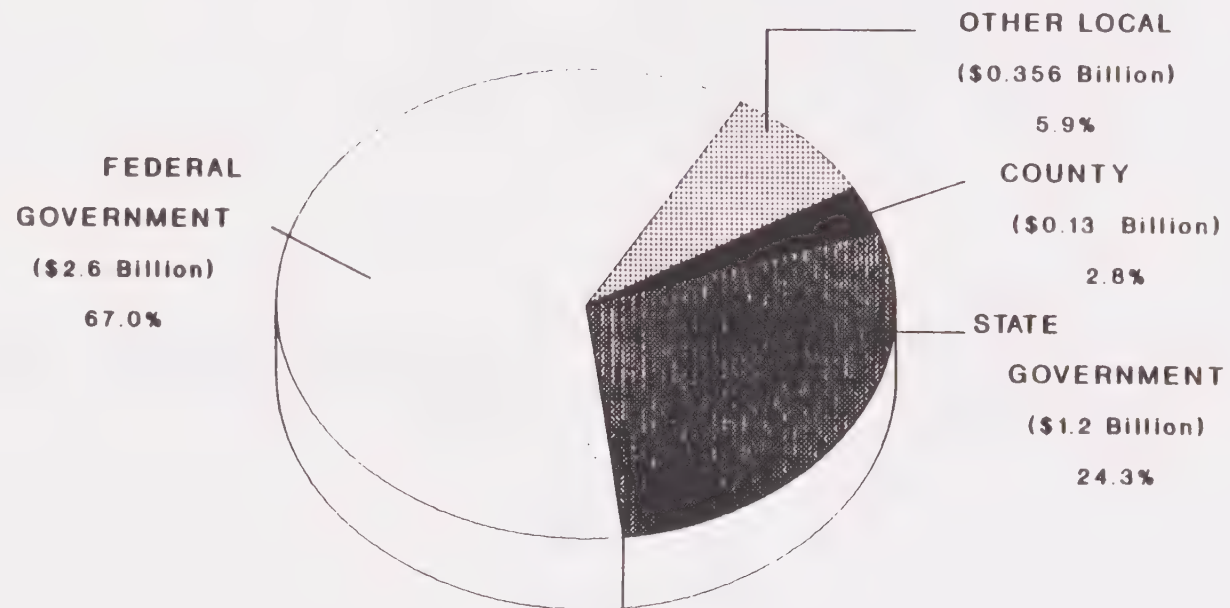
Table 11. Estimated Revenues Generated to Other Local Entities by Subpopulation, Fiscal Year 1991-92.

Revenues	Recent Legal Immigrants	Amnesty Population	Undocumented Population	SUBTOTAL	Rest of the Population	TOTAL
Property Tax	\$58,800,000	\$49,200,000	\$38,100,000	\$146,200,000	\$1,338,700,000	\$1,484,900,000
Sales Tax	\$74,100,000	\$83,500,000	\$52,800,000	\$210,400,000	\$1,198,700,000	\$1,409,100,000
<b>TOTAL</b>	<b>\$132,900,000</b>	<b>\$132,700,000</b>	<b>\$90,900,000</b>	<b>\$356,600,000</b>	<b>\$2,537,400,000</b>	<b>\$2,894,000,000</b>
Per Taxpayer	\$263	\$198	\$163	\$205	\$513	\$433

**Table 12.** Estimated Revenues Generated by the Amnesty Population in Los Angeles County during their Initial Five Years of Legal Status.

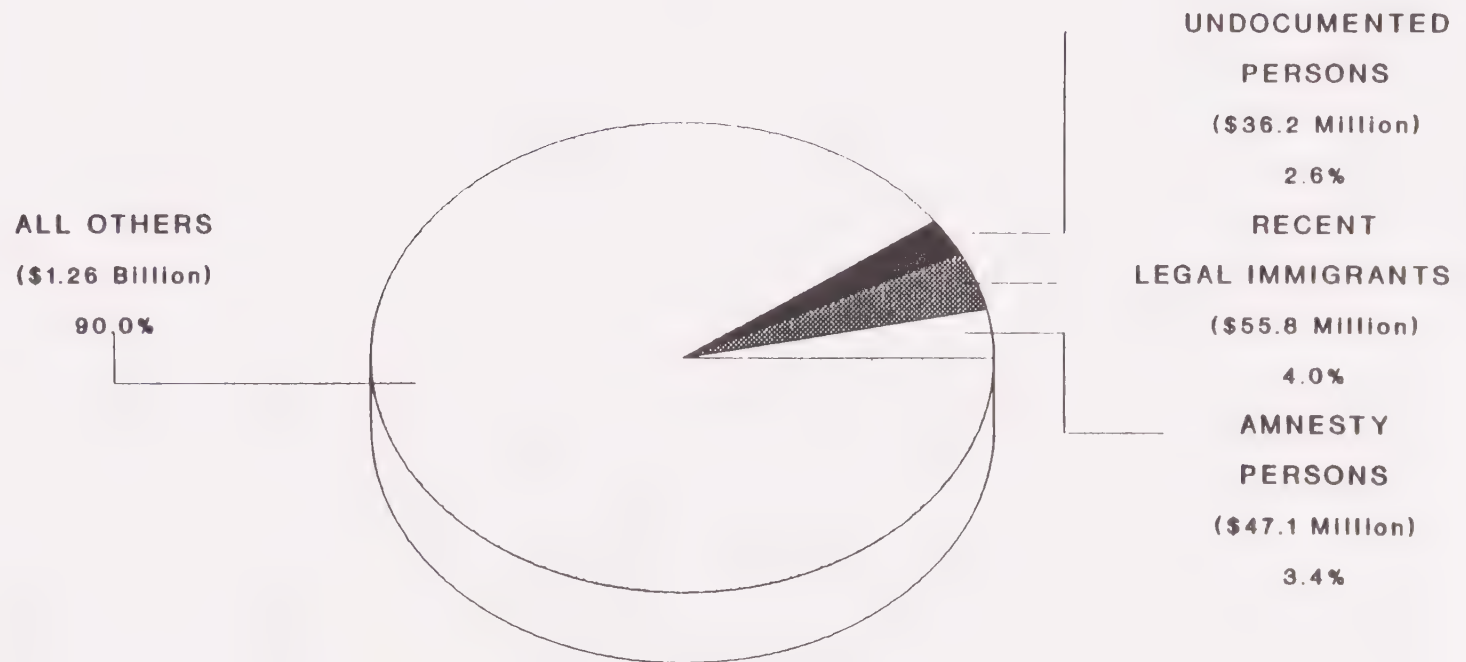
Agency	Revenues generated	Percentage
Federal	\$4,211,700,000	59.0%
State	\$2,088,500,000	29.3%
County	\$218,000,000	3.1%
Other Local	\$614,400,000	8.6%
<b>TOTAL</b>	<b>\$7,132,600,000</b>	<b>100.0%</b>

**CHART 3. ESTIMATED REVENUES GENERATED  
TO ALL LEVELS OF GOVERNMENT BY IMMIGRANT POPULATION  
IN LOS ANGELES COUNTY, 1991-92**





**CHART 4. ESTIMATED REVENUES GENERATED FOR  
LOS ANGELES COUNTY BY SUBPOPULATIONS  
1991-92**



### ***Revenues Generated by the Amnesty Population in their Initial Five Years of Legal Status***

Our revenue model was used to estimate the revenue contributions made by amnesty persons during their initial five years of legal status. Table 12 on page 53 provides the tax revenues generated for each level of government by the amnesty persons during the first five years of their legal status. These estimates were based on the assumption that their income, and hence the tax revenue generated by them, increased on an average by 4% annually.

### ***Conclusions***

- Los Angeles County bears a disproportionately high cost for serving immigrants who are in this country as a result of Federal laws and/or policies and decisions, while most tax revenues collected from immigrants go to the Federal government. Both previous research and this study indicate that the gap between the costs of services and the revenues generated by immigrants creates a special problem for counties with large and relatively poor immigrant populations.
- The estimated net County costs of providing services to the three immigrant groups (recent legal immigrants, amnesty persons, and undocumented persons) and to citizen children of undocumented persons in 1991-92 were about \$947 million, while the estimated revenues, taxes and fees generated by them to the County of Los Angeles were \$139 million, resulting in a net deficit of about \$808 million.
- The net County costs exceeded County revenues for each of the immigrant groups being studied.
- The three immigrant groups and the citizen children of undocumented persons' share of total net County costs was 31%, which exceeds both their 25% share of the County's population and 10% share of total County revenues.
- The three immigrant groups and citizen children of undocumented persons have the greatest impact on the County health services, accounting for about 68% of total net County costs for health services.
- The three immigrant groups contributed in revenue roughly \$4.3 billion to all levels of government in Los Angeles County in 1991-92.
- The three immigrant groups being studied account for 25% of the County's population, but about 12% of total revenues to other local governmental entities, 10% of total revenues to the State of California, and 8% of total revenues to the Federal

government. The lower tax revenues generated from immigrants relative to the native population reflects their lower average incomes. The amount of taxes paid by immigrant groups was highly correlated to their income level.

- The three immigrant groups together generate eighteen times more revenue to the Federal government, nine times more revenue to the State of California, and about two and one-half times more revenue to other local government entities than to the County of Los Angeles.

- Recent legal immigrants generate more tax revenues than amnesty persons who, in turn, generate more revenue than undocumented persons.

- During their first five years of Federal legal status, amnesty persons generated about \$7 billion in revenues to all levels of government of which 59.0% went to the Federal government, 29.3% to the State of California, 8.6% to other governmental agencies, and 3.1% to the County of Los Angeles.





### Chapter III. IMPACT OF IMMIGRATION ON SELECTED SERVICES

This chapter examines the impact of immigration on two specific service areas - school district costs and public housing.

#### *Estimate of School Districts' Costs*

##### *Findings*

*This study estimated costs to school districts in Los Angeles County (which are separate government entities from the County government) for the three immigrant groups and the citizen children of undocumented persons compared to the rest of the population. Overall, an estimated 61% of school districts' funding came from State funds, 2% from lottery funds, 21% from local property tax levies, 8% from federal funds and 9% from other local sources. The estimated cost per pupil averaged \$4,480 in Los Angeles County in 1991-92.*

*The estimated costs for the study populations compared to the rest of the population in 1991-92 were as follows:*

<i>Recent Legal Immigrant Children</i>	<i>\$331,100,000</i>	<i>5.1%</i>
<i>Amnesty Children</i>	<i>\$123,500,000</i>	<i>1.9%</i>
<i>Undocumented Children</i>	<i>\$367,900,000</i>	<i>5.7%</i>
<i>Citizen Children of Undocumented Persons</i>	<i>\$662,300,000</i>	<i>10.3%</i>
 <i>SUBTOTAL</i>	 <i>\$1,484,800,000</i>	 <i>23.0%</i>
 <i>All other children</i>	 <i>\$4,972,700,000</i>	 <i>77.0%</i>
 <i>TOTAL</i>	 <i>\$6,457,500,000</i>	 <i>100%</i>

- Educational costs for the three immigrant groups (recent immigrants here legally under Federal law, persons granted amnesty by the Federal government, and undocumented persons) and citizen children of undocumented persons account for \$1.5 billion (23%) of total costs in Los Angeles County school districts.*
- Public schools do not inquire about the immigration status of students because public education is available to all school-age children regardless of their immigration status.*

## Background

Education is the largest single expenditure in the State's budget. Because education is so expensive, most parents who use the public school system, immigrant or native, do not pay the full cost of educating their children during the time their children attend school. Since all segments of society benefit from an educated populace, business included, the California funding system is such that all segments of society contribute to the costs of the education of children. In the long term it is assumed that the returns to the State are greater than the costs. It is not possible in this study to quantify these long term aspects of education. With the awareness that there is a longer term view on the costs and societal benefits of education we return to the focus of this study - namely the current costs of education associated with each of our study groups.

Due to the unavailability of data, we did not estimate the costs of immigration to each individual Los Angeles County school district. Instead, we estimated the total cost of immigration to Los Angeles County's 82 school districts. Stuart E. Gothold, Superintendent, Los Angeles County Office of Education (1992a), explained in a letter to the Los Angeles County Chief Administrative Officer that public schools are prohibited from collecting information on students' or parents' immigration status (See Attachment C). Thus, we have no data on each district's immigrant enrollment.

With the passage of Proposition 98 in 1988, State schools are guaranteed approximately 40% of the California budget (Bouvier, 1991; Office of the Governor, 1992), making education the largest single expenditure in the State budget.

The California Department of Education, Office of Fiscal Policy (1992b) reports an estimated state average day to day spending of \$4,672 per Average Daily Attendance (ADA) for 1991-92, approximately \$100 of which goes toward statewide programs. Thus, for 1991-92 an estimated \$4,572 per ADA was spent at the district level. This allocation accounts for both fixed and variable costs and includes all local, state, and federal funds, except the Federal Impact Aid Program which affects areas with large portions of government land (California Department of Education, 1992a).

State procedures for allocations to districts assured Los Angeles County school districts of roughly \$3,000 to \$3,200 per ADA, additional funding came from categorical program funding, local property taxes and miscellaneous local funding (California Department of Education, 1992a). In California, for the 1991-92 school year, an estimated 61.0% of the funding came from State funds, 1.8% from lottery funds, 20.8% from local property tax levies, 7.7% from federal funds and 8.7% from other local sources (California Legislative Analyst's Office, 1992). The funding attributed to each source is based on an estimated total ADA expenditure of \$4,945. The percentage of funding from each source would be slightly different for the \$4,672 per ADA day-to-day expenditures (California Department of Education, 1992b).



For this study, we used the California Department of Education average of \$4,572 that each district spent per ADA and converted it to a \$4,480 per pupil cost. The total expenditures for the study populations are shown in Table 13 below and Chart 5 on page 61.

**Table 13.** Estimated Educational Expenditures by Subpopulation, Fiscal Year 1991-92.<sup>1</sup>

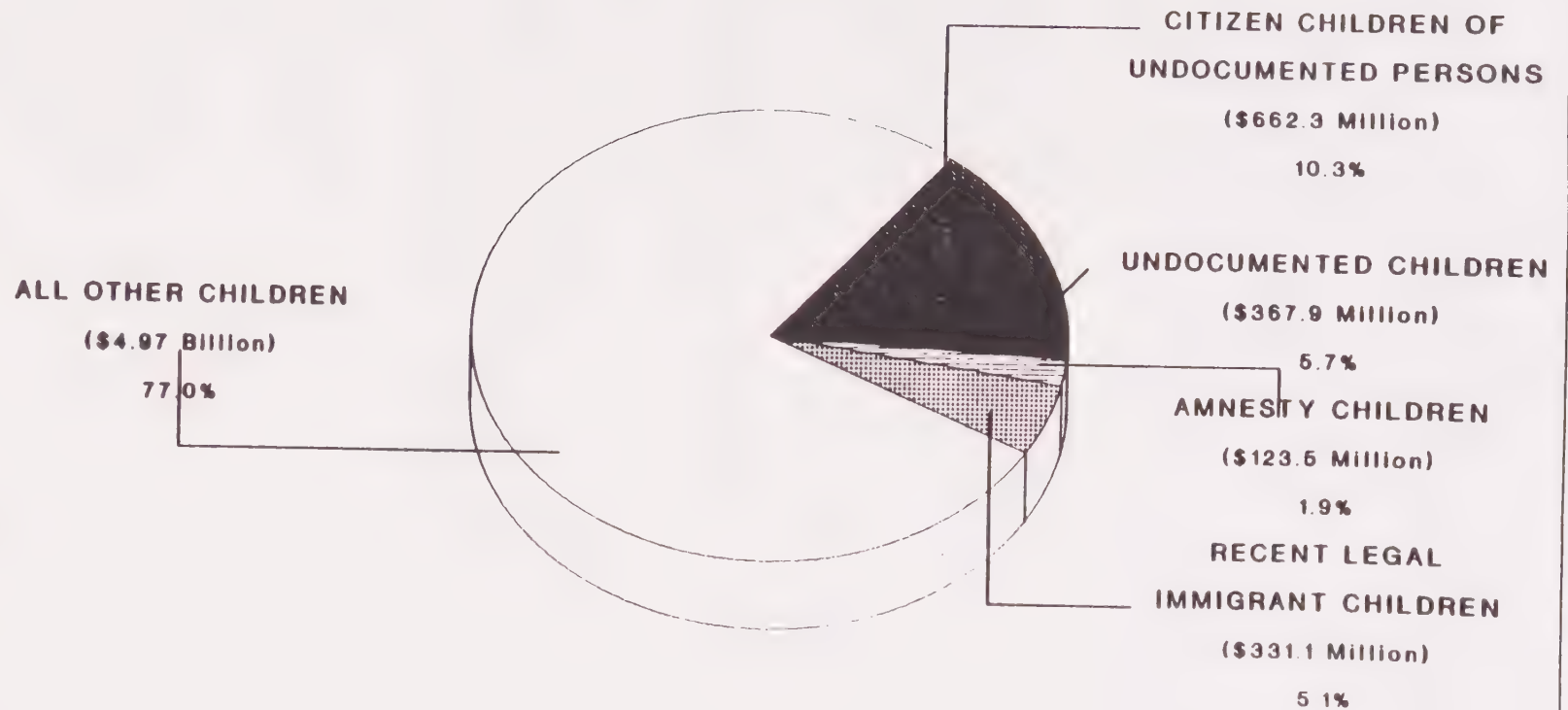
<b>Study Populations<sup>2</sup></b>	<b>TOTAL</b>
Recent Legal Immigrant Children	\$ 331,100,000
Amnesty Children	\$ 123,500,000
Undocumented Children	\$ 367,900,000
Citizen Children of Undocumented Persons	\$ 662,300,000
<b>TOTAL</b>	<b>\$ 1,484,800,000</b>

<sup>1</sup> Figures are based on the average per student cost of \$4,480.

<sup>2</sup> Citizen Children of Undocumented Persons is the only group in this table that includes native-born citizens.

CHART 5.

# ESTIMATED COSTS TO SCHOOL DISTRICTS IN LOS ANGELES COUNTY 1991-92



### **Estimation Method**

Based on our estimates of the 1992 Los Angeles County populations under age 18, we estimated a public school participation rate and multiplied the number of participants in each of our target groups by per student costs. To calculate school participation we assumed that our target groups would have the same age and participation characteristics as a weighted average of the Asian/Pacific Islander and Hispanic populations. The method we used is as follows:

1. We used the 1990 Census data to calculate the ratio of school age population (population age 5 -17) to population under age 18 for people identified as either Asian/Pacific Islander or Hispanic (weighted for the relative size of their populations). The ratio (.68) was multiplied by the under age 18 population of each of the three immigrant groups to get estimates of school age population.
2. School participation rates, which took into account drop-out rates, were estimated by comparing the age 5-17 census population for 1990 with the 1989-90 public school enrollment figures (California Basic Education Data System, 1989). We determined school participation rates for Asian/Pacific Islanders and Hispanics. We used a weighted mean of the participation rates for the above two groups to estimate a school participation rate (.86) for the three immigrant groups. The school participation rate was multiplied by each immigrant group's school age population.
3. We multiplied the State ADA expenditure of \$4,572 by 98% to convert ADA expenditures to per pupil expenditures. ADA is estimate at between 95% and 98% of enrollment for Los Angeles County (Los Angeles County Office of Education, 1992b and 1992c). For the analysis we used 98%.
4. We subtracted the number of students in the three immigrant groups (331,000) from 1,441,000, the total number of students in Los Angeles County Public Schools, (California Department of Education, 1992d) to get the number of all other students (1,110,000).
5. Finally, we multiplied the number of students in each of the groups by \$4,480 to get an estimate of total educational costs.



### ***Categorical Programs***

Immigrant children and children of immigrants often have special educational needs. The federal and state governments fund categorical programs that respond to some of those needs, though most of these programs are not limited to immigrant students.

The number of Limited English Proficient (LEP) students (measured by standardized tests) in Los Angeles County public schools in 1991 was 433,681 (California Department of Education, 1991), representing 31% student population (California Department of Education, 1992d). Olsen (1988) estimated that 10% to 25% of the Spanish speaking LEP students in California are native born. Los Angeles County Office of Education estimated that the percentage of native born LEP students is substantially larger (Los Angeles County Office of Education, 1992c).

The uncertainty in classifying LEP students in terms of our three immigrant groups makes it difficult to assign LEP and other bilingual education costs directly to the study populations.

Federal funds from the Emergency Immigrant Education Act of 1984 (EIEA) are distributed to states based on the ratio of EIEA students in qualifying school district to each state. The state then distributes the funds to school districts in proportion to the number of EIEA students in each district. To qualify for the program, a student must be foreign-born with less than three complete academic years in U.S. schools (United States General Accounting Office, 1991). For 1991-92 fiscal year Los Angeles County received \$6,351,156 through this program (California Department of Education, 1992e).

Other federally funded programs are the Bilingual Education Act (Title VII) Program, Chapter 1 Program for Educationally Disadvantaged Children, Chapter 1 Program for Migrant Children, Transition Program for Refugee Children (Olsen, 1988; United States General Accounting Office, 1991).

In California, the major source of State funds used to support school services to immigrant children is the Economic Impact Aid (EIA). For the 1991-92 fiscal year the County of Los Angeles school districts received \$113,986,749 in EIA funds. These funds were earmarked for compensatory education as well as bilingual education programs. Other programs include the School Improvement Program, Demonstration Programs in Reading and Math, The Miller Unruh Reading Program and Urban Impact Aid (Olsen, 1988).

### ***Comparisons with Previous Studies***

In their study, Muller and Espenshade (1985), concluded that the State spent more for educational services per Mexican immigrant household in Los Angeles County than it did per Los Angeles household in general, primarily because of higher birthrates among Mexican immigrant families. McCarthy and Valdez (1985) found that the high cost of educating students in California combined with the low incomes and relative youth of the State's Mexican immigrant population result in government expenditures that far exceed what immigrants contribute in taxes. They go on to say that this imbalance is true for all low-income families, but "The State subsidizes the education of the children of low-income families in the belief that public investment in education provides general public benefits." (McCarthy and Valdez, 1985, p.24).

### ***Conclusions***

- The estimated education costs undocumented children, citizen children of undocumented persons, amnesty children and recent legal immigrant children accounted for 23% (or \$1.5 billion) of total school district costs in Los Angeles County.

## ***Inventory of the Uses of Public Housing***

### ***Findings:***

- *Public housing provided to low income persons is federally funded with no County share of costs.*
- *Actual data on the use of public housing by immigrants are not collected. However, the self-reported rate of use of public housing by undocumented and amnesty persons has been found to be low in surveys of these persons.*

### ***Types of Public Housing***

This section discusses the impact of each of the three immigrant groups and citizen children of undocumented on public housing. Public housing projects are for very low income households (those below 50% of the County median for household income). They are financed by federal funds, but managed by local housing authorities. The vast majority of public housing projects were built before 1970. They were built with federal dollars with land provided by the local jurisdiction. They are currently operated exclusively with federal funding. In Los Angeles County, there are approximately 13,000 public housing units, the vast majority of which are owned by the City of Los Angeles and the County of Los Angeles. There are a few cities with smaller numbers of public housing units.

The City of Los Angeles has no line item in their annual budget for public housing though they do provide some support services to these projects such as policing and health services. The public housing is administered by the Housing Authority, a proprietary agency affiliated with the City. Currently, the City of Los Angeles manages 8,756 units in public housing projects.

The County of Los Angeles manages 3,237 public housing units, of which 33 have been set aside for resident managers. There are approximately 6,860 persons residing in these units. The units are administered by the County's Housing Authority within the Community Development Commission. Funding for the operation and administration of these units is provided by the federal government.

It should be noted that there are other programs which involve public subsidies for low and moderate income families or individuals. These programs include federal and state tax subsidies for owner-occupied and rental housing; federal rent subsidies through the Section 8 program; and federal, state and local construction subsidies for low and moderate income housing. However, a discussion of these programs is beyond the scope of this study.



### ***Number and Characteristics of Public Housing Residents***

The population in units managed by the City of Los Angeles is around 31,000. The ethnic composition of the population is about 63% Latino, 28% African-American, 6% Asian, and the rest Native American or White. For the age distribution, there are 5,392 children under the age of 6 and 11,192 school-age children (ages 6-17). In addition, the City of Los Angeles owns 1,074 housing units reserved for elderly or disabled persons; most are single persons households. The demographic composition of these units are 14% Latino, 29% African-American, 15% Asian, with the rest being White or Native American.

There are approximately 6,860 persons residing in units administered by the County of Los Angeles. The ethnic composition of these units is approximately 30% Latino, 27% African-American, 1.5% Asian, 41% White, with the rest being Native American. The age distribution of these residents is approximately 8% under the age of 6, and 23% being school-age children (6-17).

The County's Community Development Commission and the City of Los Angeles' Housing Authority are prohibited by federal regulations from inquiring about the citizenship or legal status of applicants or tenants (See Attachment D). The federal government proposed regulations to verify the immigration status of applicants and tenants (the so-called "alien rule"), but this has been blocked by court injunction. The federal government withdrew the regulations and subsequently issued orders not to inquire or collect information on the legal status of applicants or tenants. Consequently, the precise number of persons in public housing units for each of the three immigrant groups and citizen children of undocumented is unknown. Actual data on the use of public housing by immigrants were not collected for this study. However, the self-reported rate of use of public housing by undocumented and amnesty persons has been found to be low in surveys of these persons.

According to the Los Angeles County sample of Amnesty persons in the survey conducted by Westat, Inc. for INS, at the time they applied for amnesty, 1.6% were in families in which someone received government assistance for rent or utilities. This compares to 4.7% of all Los Angeles County households reporting that they received government housing assistance in the 1989 American Housing Survey of Los Angeles County conducted by the Bureau of the Census.

The statewide CASAS survey of Amnesty persons found that 1.3% of the pre-1982 respondents and 0.2% of the special agricultural worker (SAW) respondents or their family members were receiving some type of government housing assistance "such as Section 8, public housing assistance, or a subsidized home loan" at the time of the survey. If past and present assistance are considered together, 2.5% of the pre-1982 respondents and 0.5% of the SAW respondents had at some time received housing

assistance. In comparison, amnesty persons make up 7.8% of the County's population.

### ***Conclusions***

- Public housing is not a cost to the County government because the programs are federally funded. The rate of use of government housing assistance by undocumented persons and amnesty persons is less than that of the total population based on surveys of such persons.

## CHAPTER IV. REVIEW AND REPORT ON EXISTING STUDIES

In this chapter we summarize existing studies on the economic and fiscal impacts of undocumented persons and discuss other research issues. These include research from the RAND Corporation and the Urban Institute and other pertinent studies on immigration.

### *Findings*

- *While these studies provided useful background information, they did not specifically answer the questions about the impacts of immigrants in Los Angeles County, as defined in the Board order, and were generally conducted before the Immigration Reform and Control Act of 1986 was fully implemented.*
- *Most of the studies suggest that immigration has not had a significant impact on the employment of native workers.*
- *Existing studies have found evidence of wage depression attributable to immigrants. However, the research indicates that immigrants mainly tend to depress wage levels in industries where immigrant workers are heavily concentrated.*
- *Studies have shown that the skills and earnings of recent immigrants are below the skills and earnings of earlier immigrants.*
- *Some economists argue that immigrants, especially through their ownership of small businesses, expand the economy and contribute to the growth of the region..*

### *Previous Studies on the Fiscal Impacts of Immigrants and Undocumented Persons*

It is difficult to make meaningful comparisons between the results of this study and the results of other studies on the fiscal impact of immigrants, since studies tend to differ on the categories of immigrants, costs and revenues studied.

A study of the fiscal impact of undocumented immigrants residing in San Diego County was released by the Auditor General of California (1992) as we were finishing our own study. There were several crucial differences between the Auditor General's analysis and our own. First, we included all County government costs while the Auditor General's study included State and local government costs for only criminal



justice, education, health services and social services. Second, we included property tax in our revenue estimates and they did not. Third, we included a comparison to the rest of the population and the Auditor General study did not. Fourth, we used a different population estimation method.

The Auditor General's study estimated that there were 200,000 undocumented persons residing in San Diego County, that the State and local government costs were \$206 million, and that the State and local government revenues received from this population was \$60 million. This indicates a deficit of \$146 million or \$730 per person. However, as the Auditor General report notes, and we pointed out above, not all costs or revenues are included in the study.

An often quoted RAND study by McCarthy and Valdez (1986) examined costs and revenues for Mexican immigrants in Los Angeles County. This study looked at both immigrants who have permanently relocated to California and the pool of cyclical immigrants from Mexico. To estimate costs the study used data on total per capita government expenditures with some assumptions about immigrant use of those services. In other words, participation rates were derived through assumptions rather than by statistical estimation. For each tax considered, a flat tax rate was applied to all immigrants, only the workers' portion of social security was included in revenue and a large segment of taxes were applied on a per capita basis. For permanent residents, they estimated a per capita tax contribution of between \$763 and \$932 per worker in 1982 dollars. The per capita costs were then compared to per capita revenues generated from tax contributions. The study established that in 1982, with the exception of temporary immigrants, all groups generated more costs than revenues. Considering the differences in time (1982 vs 1992) and the assumptions used by the RAND researchers, a comparison is difficult. The permanent immigrants in the RAND study would be a mixture of our amnesty, undocumented and recent legal immigrants. They concluded that "due to the progressive nature of California's tax structure, the low income levels of most Mexican immigrants and the likelihood that the fraction of permanent immigrants is growing, the costs may be rising faster than the revenues."

Working for the Urban Institute, Muller and Espenshade (1985) studied the revenue generated from the Mexican immigrant population in Los Angeles County. The cost estimates were based on a 1982 Los Angeles County analysis of health care, welfare, public protection and other services. Based on the data provided by the County departments, the authors estimated the cost per household for Mexican immigrant households. Their study included corporate tax and "other" taxes, not in the current analysis. Tax collections were reported on a per family basis. Mexican immigrant families were found to pay \$1,425 in taxes as compared to an overall per family contribution of \$2,589 in 1980 dollars. As a ratio, the average immigrant family in that study was paying about half as much in taxes as the average native family. Our study estimated that an amnesty family is paying about 29% of the average

amount of taxes, the recent legal migrant family about 55% of the average, and the undocumented family about 24% of the average tax payment. The Urban Institute study examined the total immigrant population which would be expected to have higher average income than the three immigrant groups we studied. The authors concluded that there existed a fiscal deficit for Mexican immigrant households for both the State of California and Los Angeles County in 1980. The deficit, however, was much greater at the County level.

Weintraub (1984) studied the impact of undocumented residents in Texas by surveying providers of services such as State agencies and County departments. The study compared costs for education, corrections, social services and health services with the revenues generated by undocumented immigrants. Both low and high estimates of the study showed that while revenues exceeded costs at the state level. For six cities, however, costs exceeded the revenues generated.

When data are not available from case files that identify immigrants, total costs can be calculated using estimates of the number of immigrants receiving each government service and average per capita cost of these services. Simon (1989) used the 1976 Census Bureau Survey of Income and Education and national average per capita costs of services to estimate immigrant and native costs. After estimating total tax revenues generated by immigrants and natives, Simon calculated the net costs. He compared the net costs of immigrants with those of the native population, and concluded that at the national level the net costs were greater for native households. His work, however, was on a group of immigrants whose income was above average. We have estimated that the immigrants in Los Angeles County are well below average in income.

Several other studies applied statistical techniques to estimate immigrant participation rates in public services (Blau, 1984; Borjas, 1990; Borjas and Trejo, 1991; Jensen, 1988; Tienda and Jensen, 1986). After estimating these rates, total costs were calculated based on average per capita service costs. The Borjas (1990) and Borjas and Trejo (1991) studies established that the more recent immigrants are less skilled and less successful in the labor market than earlier groups. This trend decreased revenues and increased costs from immigrants in recent years.

Earlier studies by Blau (1984), Jensen (1988), and Tienda and Jensen (1986) compared the welfare and social insurance participation rates of immigrants and natives. These studies covered persons immigrating before 1980. Their findings showed that immigrants were less likely than natives to become welfare and social insurance recipients.

The Center for Immigration Studies (1991) used service utilization rates estimated by Borjas (1990) and Jensen (1988) in a study of undocumented immigrants. The study



concluded that public education, Medicaid and corrections constitute 90% of the total costs of major federal and state programs to undocumented immigrants.

Although these studies provide useful background information, they cannot be generalized to answer the questions of the present study. The studies covering Los Angeles County were conducted prior to the implementation of the Immigration Reform and Control Act of 1986, which provided amnesty to many of the undocumented persons, and did not use the immigrant categories being used in this study. These studies did not categorize immigrants in terms of their legal status. Most of the studies did not do a specific analysis for Los Angeles County, and the concentration and composition of immigrants in Los Angeles County is different from that of the nation.

In summary, studies reviewed here suggest that at the national level immigrants have been generating more tax revenues than the cost of services provided to them, but that this net gain is shrinking. Local level studies, on the other hand, showed serious immigrant-caused costs that exceed tax revenues generated by them for local governments. The studies suggest that the impact of immigration on areas with high concentrations of immigrants such as Los Angeles County may differ from their aggregate impact on the nation as a whole.

### ***Other Economic Impacts***

In the literature, the major issue regarding the economic impact of immigrants has been labor market effects. The effects of immigration on the U.S. labor market are studied by focusing on two main questions: do immigrant workers cause the reduction of domestic wage rates and do they displace domestic workers from jobs? Most of the studies show evidence to support the segmentation hypothesis which claims that the domestic labor market is sufficiently segmented so that native workers are relatively isolated from the direct employment effects of the immigrants. These studies reject the hypothesis that immigration causes unemployment (Bean, Lowell and Taylor, 1988; Bean, Telles and Lowell, 1987; Borjas 1987; Butcher and Card, 1991; Greenwood and McDowell, 1986; Grossman, 1982; La Londe and Topel, 1991; Simon, 1989, Vedder et al. 1990).

Recent empirical research has suggested that a 10% increase in immigration would have a -0.1% impact on the labor force participation rates of white native workers and a -0.1% to 0.4% impact on the labor force participation rates of black workers. The same level of immigration would reduce the number of weeks worked by white native workers by 0.3% and the number of weeks worked by black workers by 0.1%. Immigration, however, would not affect the total native unemployment rate (Borjas, 1990). Similarly, immigration does not appear to have a significant impact on the earnings of natives. A 10% increase in the size of the immigrant population reduces



native earnings by 0.2%. Immigrants are likely to have a much more adverse impact on their own earnings than on the earnings of natives. Empirical studies suggest that a 10% increase in the number of immigrants would decrease the earnings of other immigrants by at least 2% (Borjas, 1990).

However, it is important to realize that these studies looked at these questions during economic times that do not reflect current or future economic conditions. It has been argued in the literature that employment among low-skilled domestic workers will fall during recessionary periods and that this fall will be concentrated among young workers (Johnson, 1979).

The net impact of immigrants in the labor market varies significantly across regions and industries depending on the concentration of immigrants in those regions and industries. It has been found that the wage-dampening effect of foreign labor becomes significant once immigrant concentrations in manufacturing goes over 20% of the workforce (DeFreitas and Marshall, 1984). Studies based on empirical evidence from California and Los Angeles do not support the existence of a displacement effect of immigrant workers. On the other hand, these studies show that there is evidence of wage depression attributable to immigrants (McCarthy and Valdez, 1986; Muller and Espenshade, 1985). It has been found that the wages of white males whose schooling does not reach beyond high school are about 3% lower than they would be had Los Angeles received no Mexican immigration. Wage depression in several industries in Los Angeles which may be attributed to Mexican immigration varies from 0.3% to 12.6%. This impact is much higher in industries with larger concentration of Mexican immigrant workers; for workers with no schooling it is 5% to 30% (Hensley, 1989). It has been suggested that lower wage levels stimulate manufacturing employment in particularly low wage, labor-intensive industries by keeping those industries competitive (Heritage Foundation, 1989; McCarthy and Valdez, 1986; Muller and Espenshade, 1985). On the other hand, lower wages also lead to lower quality of life, low consumption levels and a smaller tax base. The overall balance of the impact of lower wages attributable to immigrant workers would need to be empirically verified for each industry in future research.

Studies have shown that another major impact of immigrants on the U.S. economy has been the contribution of highly educated foreign-born persons to high-tech industries. It has been estimated that over 1.5 million college educated immigrants joined the U.S. labor force during the 1980s. The number of immigrant scientists and engineers with doctorates has been increasing sharply (Mandel et al., 1992; Heritage Foundation, 1989). On the other hand, it has been argued that most of the recent immigrants lack basic skills and education relative to earlier waves of immigrants (Borjas, 1990). This has caused a concentration of new immigrant workers in low-pay less skilled jobs, putting more downward pressure on the employment and earnings of domestic workers.

Some have suggested that in addition to their contribution to high-tech industries, recent immigrants benefit the economy through their entrepreneurship. Available data suggest that immigrants have a slightly higher propensity (1%) to start new businesses than native-born workers (Borjas, 1990). Some studies have shown that the new wave of immigrants has a high tendency to open businesses, create new job opportunities, boost exports, revitalize regions and contribute to economic growth (Mandel et al., 1992; McCarthy and Valdez, 1986; Muller and Espenshade, 1985; Portes and Rumbaut, 1990; Simon, 1989; Senate Office of Research, 1991; Vedder et al., 1990).

### ***Other Research Issues***

Experts and interested parties submitted numerous comments and suggestions based on reviews of earlier drafts of this study, some of which we were unable incorporate in this study because they were beyond the scope of the Board order, and have not been adequately addressed by existing research on immigration. This section discusses some of these issues.

In order to study the total impact of immigration, analysis of the long-term costs and contributions of all immigrants becomes very relevant, especially since the size and characteristics of immigrant streams often vary over time. In this study legal immigrants who entered the country before 1980 were classified as part of the "rest of the population" rather than as a separate immigrant category. Additional research would be required to address this broader issue.

This report confined itself to the household tax revenues generated by the three immigrant populations being studied and the rest of the population. As owners, employees and consumers, the residents of the County also have impacts on the corporations in the County and the taxes and fees that they pay. How to divide the corporate revenue among the people affecting them is problematic. The issue is further complicated by the participation of non-County owners, employees and consumers. To address these issues would require agreement on a theoretical framework and more data.

Another important research issue is the measurement of non-revenue economic impacts of immigration in this study. It is a complex area where sophisticated models and comprehensive data would be needed to account for local economic characteristics and fluctuations over time. The potential impacts, both positive and negative, are numerous. Labor-intensive industries like textiles, restaurants and some of the other service industries may gain advantages from the increase in the labor force. Prices on labor intensive goods may be lower. There may be job displacement of non-immigrants by immigrants. There may be downward pressure



on wages. Sizeable immigration may spur economic growth. Rapid growth due to immigration may overburden the capital infrastructure.

Finally, an estimation of the costs to the state and federal governments accruing from the influx of immigrants was beyond the scope of this study. However, in order to conduct a complete research on the cost of immigration one would also need to estimate costs to all levels of government. Most of the earlier studies at the national level have not taken a holistic approach to this issue and instead have focused on specific aspects of the economy.

### ***Conclusions***

- No existing study answers the research questions about the impacts of immigrants in Los Angeles County, as defined in the Board order. Most of the studies have found no evidence to show that immigrants displace native workers. However, there is evidence for wage depression attributable to immigrants, particularly in industries where immigrant workers are heavily concentrated. The skills and earnings of recent immigrants have been found to be lower than the skills and earnings of earlier immigrants. Some economists argue that immigrants, especially through ownership of small businesses, expand the economy and contribute to the growth of the region.





## Chapter V. IMMIGRATION RELATED ISSUES

### *Immigration and the Underground Economy*

#### *Findings*

- *Our review of the literature found only a few studies estimating the participation of undocumented persons in the underground economy at the national level, and found no studies at the County level.*
- *Research studies have given a broad range of estimates for income taxes withheld from undocumented workers; nationwide these estimates have averaged 56%.*
- *Nationwide the tax revenue lost from undocumented persons participating in the underground economy has been less than 5% of their total unreported income.*
- *A 1979 IRS study has shown that nationwide the revenue loss from undocumented persons has been between 1.1% and 1.5% of the total income tax revenue losses from all persons due to the underground economy.*

#### *Background*

In this section we review research on the impact of undocumented persons in the underground economy on County revenues. There is no single definition of the underground economy, but the most common definition cited in the literature, and adopted in this study is as follows: the term "underground economy" applies to all activities generating unreported taxable income.

Because of the complexity in conducting an empirical study of the impact of undocumented persons in the underground economy on County revenues, and because of the lack of empirical data that would adequately measure it, we have instead limited this section of the study to a review of existing studies. Although both the literature on the underground economy and the literature on undocumented persons are extensive, we found only a few studies on the participation of undocumented persons in the underground economy at the national level, and found no studies at the County level. During this review we consulted with experts from the Urban Institute and the Center for Immigration Studies.

### ***Measuring the Underground Economy***

One of the few studies to estimate the participation of undocumented persons in the underground economy was a national level sector-by-sector study of the underground economy by Simon and Witte (1982). Their estimates relied largely on assumptions from North and Houstoun's 1976 study: the number of undocumented persons, the percentage of employed undocumented persons, and the percentage of employed undocumented persons whose social security and income taxes are deducted from their wages. Three major studies (North and Houstoun, 1976; Cornelius, 1977; Villalpando et al., 1977) concluded that about 70% of the employed undocumented persons had social security and income taxes deducted from their wages. Simon and Witte assumed that 27% of the employed undocumented persons were part of the underground economy.

Using data on the average gross weekly wages of undocumented persons from the North and Houstoun's study and a 1974 INS study, Simon and Witte estimated that undocumented persons added \$5.9 to \$7.6 billion to the underground economy in 1974. Their estimates were very close to IRS' estimate of \$5.0 to \$6.6 billion in 1976 (Simon and Witte, 1982; U.S. Internal Revenue Service, 1979).

The rate of growth of the underground economy, particularly in comparison to that of the measured economy, is perhaps of even more interest than its absolute size. Simon and Witte (1982) estimated that the annual growth rate for the underground economy was just a little slower than the growth rate of the regular economy. They had no data, though, that would allow them to estimate the impact of undocumented persons on the rate of growth of the underground economy.

### ***Tax Revenue Lost***

Studies also have been conducted to estimate the size of tax revenue lost because of the underground economy (U.S. Internal Revenue Service, 1983; North, 1988; Simon and Witte, 1982). A study was conducted by the IRS estimating the "unreported nonfiler income with tax consequences" (U.S. Internal Revenue Service, 1983). It was estimated that the revenue loss from undocumented persons was \$100 million. This was less than 5% of their unreported income, because on average their salaries were lower and families were larger. Much of IRS' estimate was based on income data secured on undocumented Mexican persons (a low-paid group) collected by Cornelius, Avante Systems and North (North, 1988).

A previous IRS study (U.S. Internal Revenue Service, 1979) estimated that for 1976 the unreported income was \$132 billion, the revenue loss was \$35 billion, and the revenue loss from undocumented persons was \$400 (1.1% of the total) to \$519 million (1.5% of the total).



Simon and Witte (1982) also estimated that in 1974 the lost federal tax revenue was \$473 to \$606 million, the lost state level income tax revenue was \$235 to \$302 million, the lost local level income tax revenue was \$30 to \$40 million, and the total nationwide lost income tax revenue was \$738 to \$948 million, due to participation of undocumented persons in the underground economy.

In his 1988 study, North showed that the loss of tax revenue caused by work in the underground economy varies by tax system and by location in the United States. He reviewed 21 labor market studies covering recent documented and undocumented immigrants. These studies showed vastly different estimates of the number of these workers who had taxes withheld from pay. For example, the estimates for the undocumented workers having income taxes withheld ranged from 18% to 92%, and for those having FICA taxes withheld ranged from 25% to 91%. North's average of all these studies would indicate that 83% of the documented immigrant workers had taxes withheld, whereas 56% of the undocumented workers had taxes withheld (North, 1988).

### ***Other Implications***

North's (1988) study concluded that violation of labor standards continues to be a major problem for many foreign-born workers, that undocumented persons and women are more likely to experience these problems than documented foreign-born persons and men; that counties along the United States - Mexico border, particularly in Texas, apparently have more active underground economies and more labor-related violations than others, such as those in California; and that the role of the foreign-born in the abuse of tax systems is probably significant (North, 1988).

It should be noted that more employers of farm-workers reported to the IRS after 1990, because of the requirement that income taxes be withheld from farm-workers. Philip Martin (1992) noted that there is much discussion that IRCA increased both the legal and the falsely documented populations. In addition, IRCA seems to have increased the number of labor contractors, who are the employers most likely to under-report income tax.

Researchers have also studied the underground economy in terms of theories of labor markets. Portes and Sassen-Koob (1987) and North (1988), for example, noticed the similarity between descriptions of the secondary labor market and the underground economy, but made a clear distinction between them on the basis of meeting tax and labor standards.

Other researchers shift the importance of the subject of the underground economy from a matter of size to its broader function and effects on society (Mattera, 1985; Gaughan and Ferman, 1987). Gaughan and Ferman (1987), for example, showed

that a wide range of underground economic activities, like the bartering of goods and services, are based on kinship and community, mutual obligation and reciprocity, and thus forming a social bonding.

### ***Conclusions***

- Only a few studies estimated the participation of undocumented persons in the underground economy at the national level, and none at the County level. Based on national studies, undocumented persons appear to be more likely to be employed at jobs where income is not reported, but these also tend to be low paying jobs where the tax rate and revenue loss is also low. The impact in Los Angeles County, however, may differ from the nation as a whole.

## **Potential Impact of a Legal Work Permit System**

### **Findings**

- *Our review of the literature found no studies directly dealing with the impact a legal work permit system would have on Los Angeles County.*
- *Studies evaluating the European experience with guest worker programs are inconclusive regarding what their impacts would be if implemented in the United States.*
- *Foreign workers with legal work permits in Europe constitute 10% to 20% of the total labor force.*

### **Background**

In this section we review research on potential impacts of a legal work permit system patterned after the European experience with temporary work permits. During this review we consulted with experts from the Urban Institute and the Center for Immigration Studies. We found no study which addresses the potential impact of a legal work permit system on Los Angeles County.

In the context of this review, the term "legal work permit system" is defined as a system admitting non-citizens for limited terms of employment in the United States. For example, most European countries have implemented guest worker programs allowing entry of migrant labor on a temporary basis. There are numerous studies analyzing the European experience with guest worker programs and evaluating the introduction of similar programs in the United States (Martin and Miller, 1980; Reichert and Massey, 1982; Papademetriou and Martin, 1983; Lovell, 1987).

### **Description of European Work Permit Systems**

The term "guest worker policy", as implemented in most of the advanced European countries, refers to governmental measures that permit foreign-born persons to be introduced into the labor market with the expectation that they will not become citizens and will eventually return home. A guest worker program is usually the result of a bilateral agreement that details recruitment methods, responsibilities for travel and housing, and the obligations of host governments to protect migrant workers (Martin and Miller, 1980; Martin and Sehgal, 1980).

The formation of guest worker policies in Western Europe was largely a by-product of postwar economic expansion. Over three-quarters of all foreign workers and their



dependents in Western Europe live in France, Switzerland, and the Federal Republic of Germany (Martin and Miller, 1980).

Length of Permit: Under most European guest worker programs, employers must search for native workers before offering jobs to workers from outside the European Economic Community (EEC). Work permits available to non-EEC guest workers tie them to a specified job with a given employer during the first year of their employment. In **France**, non-EEC and non-Algerian foreign workers receive three-year work and residency permits upon expiration of their initial one-year permits. These three-year permits still limit foreign workers to one profession and one region but the permit holder can move from job to job within his or her profession. After ten years of permit renewal, foreign workers qualify for "privileged" or ordinarily nonrevocable residency permits and (prior to 1975) for a permanent work permit valid everywhere in France for the worker's profession. In **Germany**, non-EEC guest workers receive two-year work and residency permits after the first year. Their freedom of movement was limited for a few years (1976-79) by an administrative restriction prohibiting a further influx of foreigners into several major cities. After their first year of residence foreign workers in Germany are free to change employers. After five years of permit renewal, foreign workers receive five-year work and residency permits. After ten years, they are eligible for permanent work and residency authorization. In **Switzerland**, officials review foreign worker residency permits yearly. Prior to five years of continuous residency, most foreign workers receive one-year permits. Foreign workers can change professions upon renewal if labor shortages exist in professions for which application is made. After five years, a worker receives "preferential" status. Permits then are prolonged for two-year periods and it is understood that renewal is no longer problematical. After ten years, nonrevocable resident status is accorded. Job restrictions are dropped for foreign-born persons who have become permanent residents (Martin and Miller, 1980).

Government Involvement: In **Switzerland**, employers were permitted to contract directly with foreign workers, who were then granted a work and residency permit. The rapid increase in the number of guest workers in the 1960s, though, led to government intervention, with the declaration of a ceiling on the number of residency permits and the establishment of yearly quotas of residency permits for each canton in 1970, and a drastic reduction of the quotas in 1975. In contrast to the Swiss, **French** and **German** employers requested guest workers through governmental agencies, which processed the requests and recruited workers abroad. Through bilateral treaty arrangements, satellite offices were established in labor source countries. Guest workers were selected from lists of names submitted by labor officials in the countries of recruitment. The transportation of the workers was arranged by the two governments as part of the fee paid by employers. In **Germany**, the government recognized that the foreign workers were something more than a "temporary" work force, and implemented a broad program to foster the social integration of these workers. Germany's decision to halt the guest worker program

in 1973 reflected labor's demands that the further introduction of guest workers be restricted while the lot of those already in Germany be improved. Unlike the Germans, in the first decade after the war the French permitted the "regularization" or post facto legalization of undocumented persons or "false tourists". In the early 1970s, though, the government ended this practice and announced a number of programs that were to ameliorate the social and economic status of migrants. In the late 1970s, the government began to promote a policy of migrant return to country of origin (Martin and Miller, 1980).

Worker Rights: Although guest worker rights vary by country and type of labor agreement, most host countries guarantee guest workers the right to organize into unions, the right to participate in extra-union work councils, and family reunification rights after one year's employment. In Europe, guest workers pay income taxes and participate in normally extensive social welfare programs, including social security, children's allowances, and unemployment insurance. The details vary, but the general thrust is clear - guest workers are aliens to be integrated into the work force but not into an immigrant stream eventually leading to citizenship (Martin and Sehgal, 1980).

Access to Citizenship: Access to citizenship varies significantly among the three countries, with France being relatively open with easier naturalization procedures and a five-year residency requirement. In Germany, even the ten-year residency requirement does not guarantee the grant of citizenship. In Switzerland, the twelve-year residency requirement, a complicated administrative system and the amount of tax that must be paid has resulted in a low naturalization rate. Although foreign worker employment followed a downward trend in the mid-1970s in all three countries, the total foreign populations of these countries remained almost steady due to family reunification. The children of guest workers born in Germany and Switzerland do not automatically become citizens as they would in the United States, while foreign children born in France have the option of declaring citizenship upon their majority (Martin and Miller, 1980).

Foreign Workers' Share of Work Force and Foreign Population's Share of Total Population: Martin and Miller (1980) show that foreign workers constitute a significant proportion of the total work force in the host countries: 9.7% in Germany (2,171,000 foreign workers), 10.9% in France (1,900,000 foreign workers), and 19.8% in Switzerland (533,000 foreign workers) in 1976. Their data also show that guest workers there had considerably higher labor force participation rates than natives. The relative importance of the foreign share of the total population in these countries (6.6% in Germany, 7.8% in France, 15.8% in Switzerland), as well as the foreign percentage of live births (9.7% in France, 16% in Germany, and 29.5% in Switzerland) represent a demographic characteristic of considerable political importance (Martin and Miller, 1980).



## ***Lessons for the United States***

According to Martin and Sehgal (1980), the most important lesson of the European guest worker experience was the explosion of the "temporary" myth: temporary became permanent for up to half the migrant work force. The average duration of stay climbed to over five years. Although most migrants do not initially think of a long stay abroad, about 50% stay for more than five years (Martin and Sehgal, 1980).

Although not against the implementation of a guest worker program in the United States, Reichert and Massey (1982) also conclude that there is no such thing as a 'temporary' labor program. They point out that although it may be necessary to establish a temporary work system as part of any effort to bring the current flow of undocumented persons under some kind of control, this move will be an inherently short-term solution to a long-term problem.

After analyzing the European experience with guest worker programs, Martin and Miller's (1980) study concluded that although the European programs provided certain benefits, they also created a number of problems. The study expressed certain reservations that must be reckoned with before decisions are made to increase the temporary foreign workforce. Their reservations, based upon analyses of past American and European experiences with temporary worker programs were: a) expansion of temporary worker employment will mitigate the undocumented immigration problem but not end it; b) temporary worker residency is unlikely to be short-term (a view also shared by Reichert and Massey, 1982); c) temporary worker policy is unlikely to ensure respect for the human dignity of migrant workers; d) over the long run, it is doubtful that the relations of the United States with migrant-sending countries would improve as a result of an expanded temporary worker policy; and e) an expanded American temporary worker program will exacerbate the employment problems of American minorities.

Martin and Sehgal point out that administering a 'fair' guest worker program may, paradoxically, increase immigration of both documented and undocumented persons. Each flow of guest workers is accompanied by a flow of undocumented persons that varies by country of origin (supply pressures) and ease of entry. In Europe, the flow of undocumented persons is estimated at 10 to 20% of the flow of documented persons (Martin and Sehgal, 1980).

Martin and Miller (1980) presume that large-scale guest worker programs contributed to the reduction of undocumented immigration to Western Europe. However, they also show that undocumented immigration to Western Europe has persisted despite large-scale guest worker programs and comparatively strict enforcement measures. Employers of undocumented workers in Western Europe are subject to heavy fines and citizens can be required to carry identity papers. In the French case, there was massive undocumented immigration until 1972 in spite of legal procedures giving



foreigners relatively easy access to the French labor market. Even assuming an American program issuing between 500,000 and 800,000 temporary work permits per year, then, such a policy will not end undocumented immigration. Significantly, during the American-Mexican bracero program (1942-64), the major experiment to date in the United States with a guest worker policy, undocumented migration and a program providing for the legal employment of temporary workers were not mutually exclusive. In 1954, for instance, there were 300,000 "legal" bracero workers and still over one million apprehensions of undocumented persons. Indeed, it has been argued that the bracero program had a "magnet effect" for undocumented migrants (Martin and Miller, 1980).

Miller (1987) and Lovell (1987) conclude that Europe's experience is relevant for the United States and that it shows that employer sanctions can work. Reviewing the often misinterpreted European experience with sanctions, Miller finds that enforcement did in fact lag at the outset in France and the Federal Republic of Germany because of poor interagency cooperation, insufficient enforcement personnel, mild penalties, and indifference among some public prosecutors and judges, leaving some outside observers to conclude that sanctions had failed. But France and Germany began toughening enforcement and penalties in the early 1980s, boosting fines and tightening coordination among enforcement agencies and police. France deployed more labor inspectors and set up new regional enforcement machinery. To counter poor public understanding and bureaucratic and judicial indifference, European governments publicized the abuses of employing undocumented persons and reaffirmed enforcement priorities. They stressed exemplary action against notorious violators as an incentive for voluntary compliance and devised new tactics for employers who hid behind dummy fronts or subcontractors (Miller, 1987; Lovell, 1987).

Lovell (1987) sees the United States as more endowed than Europe with a tradition of voluntary compliance among employers who, with proper leadership, will come to accept employer sanctions as a good business practice. He also points out that the availability of secure, universal identification is the single greatest difference between the United States and most European countries, and that Western European societies show that effective tamper-proof personal identification systems are compatible with high regard for individual privacy and rights.

Martin and Sehgal (1980), however, point out that the idea of sanctions immediately encounters strong opposition - from employers who do not want to assume a new duty, from civil libertarians who fear the consequences of an incipient worker identification system, and from minorities who fear yet another source of discrimination. To compound these fears, any employer sanction system based on a counterfeit-proof identification system would affect all persons seeking work, not just undocumented persons.

Miller's (1980) analysis of employer sanctions in Western Europe attempted to illuminate the strengths, weaknesses, and limits of the concept of employer sanctions. According to Miller, employer sanctions are a possible medium-term solution, or more appropriately, partial solution to the undocumented immigration problem faced by industrial democracies; the long-term solution is to be found in policies which restructure labor markets and industries so as to eliminate the root causes of undocumented immigration and employment. In a similar way, Lovell (1987) points out that neither in Europe nor in the United States are employer sanctions a cure-all for the complex problem of undocumented immigration: they must be used with other coordinated manpower, economic, foreign trade, and law enforcement policies.

During the late 1970s and early 1980s, there was an increased interest in observing the Europeans and formulating suggestions for similar programs in the United States. A Center for U.S.-Mexican Studies publication (authored by Wayne Cornelius before IRCA) set forth the rationale for a system of temporary worker migration visas, as one component of a new U.S. policy concerning undocumented immigration, primarily from Mexico (Cornelius, 1981d). A key feature of the proposed system was its avoidance of pre-arranged contracts between U.S. employers and foreign-born workers. According to Cornelius, the main objective of U.S. policy concerning undocumented immigration should be to reduce the size of the undocumented component within the total migratory flow; this objective would be accomplished by the provision of temporary work visas (Cornelius, 1981d).

While the Center for U.S.-Mexican Studies emphasized the temporary and cyclical nature of agricultural and unskilled workers, mostly from Mexico (Cornelius, 1981a, 1981b, 1981c, 1981d), a RAND study on meeting the labor needs of the economy through immigration, authored by Georges Vernez and Kevin McCarthy (1990), put more emphasis on professional and skilled labor. According to the RAND study, the option of meeting the labor needs of the economy with temporary workers (mostly professional and skilled) is increasingly being used by business, and thus more immediate policy attention is required. The study suggests that this could be achieved by reforming the system of temporary visas, including an easement in the granting procedures.

The RAND study showed that it is very difficult to design effective policy in an information vacuum; few data are collected on the characteristics of permanent and temporary immigrant arrivals, and much less on their subsequent labor force experiences. The study concluded that it is extremely difficult to address the tradeoffs between permanent and temporary immigrants, since there is no information available about the socioeconomic characteristics of the various categories of temporary immigrants and their labor market experience, and there are no comparative studies on the labor market experience of legal permanent and temporary immigrants (Vernez and McCarthy, 1990).



Our review of the literature indicates that most of the studies were done in the early 1980s. This seems to suggest that since the implementation of IRCA there has been less interest in adopting a temporary work permit system.

Prior to the enactment of IRCA, the use of temporary workers was presented as one option of controlling undocumented immigration. Some researchers have argued that instead of uncontrolled undocumented immigration by persons seeking employment in the United States, a preferred alternative would be to provide for a legal outlet for the employment of undocumented workers through the issuance of a large number of temporary workers. Instead, Congress decided to provide amnesty to certain undocumented immigrants who were already living in the country before 1982 and to curb future undocumented immigration through employer sanctions and other strengthened enforcement measures. The Replenishment Agricultural Worker (RAW) program was established to provide a replacement pool of agricultural workers in the event that IRCA's legalization and employer sanctions provisions led to a shortage of farm labor for growers who were highly dependent on foreign labor.

Since IRCA, the policy debate over the use of temporary foreign workers has centered around the need for skilled, specialized labor. The publication of the RAND study (Vernez and McCarthy, 1990), for example, suggests a renewed interest in the field. But whereas early studies emphasized unskilled labor, the RAND study emphasizes professional and skilled labor. The main policy issue has been to seek a balance between the labor needs of employers and protection of the rights and interests of American workers.

In short, the various studies have been inconclusive regarding the implementation of a legal work permit system in the United States. The impact of such a system on Los Angeles County will depend upon the type of system implemented and the needs of the local economy. Among the design issues that would have to be addressed are: the option between a free agent system or a system of contracting with the employer before admission; the eligibility of temporary workers for federal, state, or county assistance programs; protection from adversely affecting wages and working conditions for similarly employed American workers; protection of temporary workers from discrimination and employer violations of labor laws; and the duration of temporary workers' stay in the United States.

### ***Conclusions***

- The impact of a legal work permit system on Los Angeles County is uncertain and would largely depend on the specific design and scale of the system and economic conditions during implementation.





## **GLOSSARY**

### **Adjusted Gross Income:**

The income of taxpayers as reported by the Internal Revenue Service and the California Franchise Tax Board. Adjusted gross income excludes such non-taxable sources of income such as welfare income and tax-free interest income, and partially exempt sources such as pensions and social security income.

### **Amnesty persons:**

Former undocumented persons who were granted lawful immigration status under Section 245A and Section 210 of the Immigration Reform and Control Act (IRCA) of 1986. To qualify under Section 245A, "pre-1982 immigrants" had to demonstrate continuous residence in the United States since prior to January 1, 1982. To qualify under Section 210, "special agricultural workers" (SAWs) had to demonstrate employment in agriculture in the U.S. for at least 90 days between May 1, 1985 and May 1, 1986.

### **Citizen children of the undocumented:**

Children under the age of 18 born in the United States whose mothers are undocumented persons.

### **Costs:**

Total expenses incurred providing services (see Net County Cost).

### **Effective Tax Rates:**

The effective tax rate is the percent of total income that is captured by a tax. This is best defined by an example. The personal income tax rate for both state and federal governments increases with income, the last \$20,000 is taxed at a higher rate than the first \$20,000. In addition, many taxpayers have deductions that reduce their taxable income and credits that reduce their tax liability. The California effective tax rate is the proportion of income paid in state income taxes by the average taxpayer earning for example \$40,000.

### **Motor Vehicle License Fees ("In-Lieu" Tax):**

A personal property tax imposed by the State of California on vehicles registered in the State. The tax is based on the value of the vehicle.

**Net County Cost:**

The amount of the operation financed by discretionary revenue sources, principally property taxes.

**Payroll Taxes:**

Taxes that are paid by an employer for his/her employees, among the largest of these are unemployment insurance, and social insurance (FICA and Medicare) and workman's compensation.

**Recent legal immigrants:**

Foreign-born persons who entered the United States since April 1, 1980 who were lawfully admitted for permanent residence or who are permanently residing in the United States under color of law (PRUCOL). Persons who have nonimmigrant visas (e.g., tourists, students, and businessmen) are excluded from this category.

**Tax Incidence:**

The proportion of income captured by a tax in an income group.

**Undocumented persons:**

Foreign-born persons who are not in the country under a lawful immigration status and who are not permanently residing in the United States under color of law (PRUCOL).

**Vehicle Registration Fee:**

A flat fee charged to register a motor vehicle in the State of California.



## APPENDIX A

### *Sources of Demographic Data*

In this appendix we present an overview of the primary sources of demographic data used in the study. This is followed by tables showing our estimates for 1990 and 1992. The discussion is not meant to cover the enormous literature on immigrants, but rather to explain the origins of the data we judged to be the best for our study. Our choices were very limited because county level data on immigrants is generally only available from the Immigration and Naturalization Service and the Bureau of the Census.

#### *Immigration and Naturalization Service*

There were three types of Immigration and Naturalization Service (INS) files used in this study. The first was a file maintained by INS on IRCA amnesty applicants from which we contracted to have special tabulations done for Los Angeles County on the age, sex, country of origin, marital status, and application status. These tabulations were as of February 1992 and were used as our estimate of the amnesty population.

The second INS file came from the Legalized Population Survey conducted in 1989. This is also known as the "Westat" study because the survey work was contracted to Westat, Inc. This survey focused on the socioeconomic characteristics of persons who were given temporary legal status under Section 245A of IRCA. To qualify for amnesty under this section, a person needed to have resided in the United States since before January 1, 1982. Nationwide the sample was 6,193 and in Los Angeles County the sample was 2,129 observations. Questions were also asked about family members with whom the respondent was living. These family member questions greatly increase the number of individuals for whom basic information is available. The basic variable categories were demographics, language proficiency, immigration history, employment history, family composition, health services, social services, education and income. Data from the Legalized Population Survey were used to estimate the income and fertility characteristics of the amnesty population. The post-1978 immigrants in this file were used in estimating age, sex, income and fertility characteristics of the undocumented population.

Seventy percent of the pre-1982 amnesty applicants were from Mexico. Therefore, to ensure that there would be a sufficient number of non-Mexican amnestees, sampling was weighted to increase the number of persons from countries other than Mexico.

The third type of INS files were Immigrant and Refugee Microdata Tapes. Annual files are available by zip code of intended residence since 1972, although for Fiscal Year 1980 and Fiscal Year 1981 over 20% of the individuals are missing data on some variables. Country of birth, age, sex, marital status, and occupation data are collected. Income and employment data are not collected. These INS files were used in making estimates of the number, age and sex of recent legal immigrants. The age distribution of the legal immigrants and undocumented immigrants, under age 18 and age 18 and over, was adjusted so that the total of all the foreign born estimates matched the 1990 Census tabulations of the foreign-born population.

### *Bureau of the Census*

Important data files for our study were produced by the Bureau of the Census through the 1980 Census, the 1990 Census, American Housing Surveys and Current Population Surveys.

There were American Housing Surveys taken for the Los Angeles-Long Beach Metropolitan Area in 1980, 1985, and 1989. The metropolitan area American Housing Surveys are a sample of about 3,200 housing units. For individuals in the household questions are asked about age, sex, marital status, race, Hispanic ethnicity, marital status, and income. Only the 1985 file indicated if the respondent was born outside the United States. For housing units questions are asked about market value, property taxes, mortgage payments, rent payments, structural characteristics and repair status. These files were used especially to derive assumptions about homeownership and property taxes.

The Current Population Surveys are monthly surveys conducted by the Bureau of the Census. The June 1986, June 1988 and November 1989 surveys included supplemental questions concerning citizenship and place of birth. For Los Angeles County the number of person records in 1986 was 8,635, in 1988 it was 8,750 and in 1989 it was 4,484. Approximately, one-third of the population of the County was foreign-born during this period, and their numbers in the sample were correspondingly large. The data tapes for these months, however, only have the income of the primary family in each household. The data from these surveys were used to estimate the income and household characteristics of primary families by citizenship, place of birth, and for immigrants, year of entry.

The March 1990 survey contained separate income data for all the families and unrelated individuals in each household. The legal immigrant income was estimated by averaging the income of foreign-born Asians and Hispanics weighting for the relative size of their populations.



1980 Census Public Use Micro Sample (5 percent): This sample provided income and demographic information for all the families in each household, and it contains data on place of birth and citizenship. It was used to establish baseline estimates of the distribution of income between primary and secondary families. This was necessary because the Current Population Surveys which contained place of birth and citizenship data only contained income data for the primary family of each household. The distribution was later controlled to the 1990 Census Summary Tape File 3.

1990 Census Summary Tape File 3 (STF-3): This tape contains aggregate tables of socioeconomic characteristics for several geographic levels, and among these are counties. The Los Angeles County data were used to adjust our estimates of the foreign-born and total population. Our estimates of individual, family and household income were also controlled so that for 1990 the totals corresponded to the 1990 Census. Although variable categories can be collapsed and summations of geographic areas are possible, there is very limited potential to analyze the data except as presented, because what is on the tape is the output of cross-tabulations not individual, family or household level data.

### ***Background Studies***

There were several previous studies that provided useful information for comparison with our primary data sources. The samples in these studies did not match the three immigrant groups, and therefore, we were limited in using the findings. Among these other studies were the following:

#### ***Comprehensive Adult Student Assessment System (CASAS) Survey***

The CASAS (1989) study is a report presenting the findings of a survey of amnesty persons. Amnesty applicants qualifying by residing in the United States since before 1982 need to demonstrate English proficiency and a knowledge of U.S. government and history to attain permanent legal residence. IRCA provided federal funds to assist in providing classes in these subjects to all amnesty applicants. A sample of 4,180 pre-1982's and 796 Special Agricultural Workers (SAW) was randomly selected from the California population enrolled in such classes. Data are also reported on age, sex, marital status, household composition, and number of children. This report was used for comparisons with our estimates about the family characteristics of the Amnesty population. However, to make generalizations from the CASAS sample is problematic because it excluded applicants not enrolled in classes. This is especially



a limitation in the sample of SAW applicants because they did not have to take proficiency tests.

### *Chavez' Survey of Undocumented in San Diego County*

Leo R. Chavez (1992) has described some of his research on undocumented persons in San Diego County. A 1986 sample of undocumented persons in San Diego County was built from "snowballing" contacts with individuals and organizations. Information was gathered on 1,349 undocumented Mexicans and 1,148 undocumented Central Americans. The variables included age, sex, household composition, employment, use of social services and home ownership. Chavez' findings were used for comparisons with our estimates of the socioeconomic characteristics of the undocumented population. His findings, however, may not be representative of Los Angeles County, because they are based on a non-random sample of a different county.

### *Heer's Study of Mothers of Mexican Ancestry in Los Angeles County*

David M. Heer (1990) has described his findings from a study done in Los Angeles County. A survey was conducted of 903 women of Mexican ancestry who gave birth in Los Angeles County between August 1, 1980 and March 31, 1981. Of these 724 were reported to have been born outside the United States and 179 were reported to have been born in the United States. Information was gathered on fertility, age, marital status, immigration history, migration status, educational attainment, employment, occupation, industry, income, participation in entitlement programs, and taxation. We used the findings reported from this study for comparisons with our estimates of the socioeconomic characteristics of the amnesty population and the undocumented population. We also faced limits in using the data from this survey. They are now eleven years old, and it is difficult to estimate the proportion and characteristics of this sample which later became part of the Amnesty program.

### *NALEO's National Latino Immigrant Survey*

In 1989 the NALEO Educational Fund published a report of its findings from a study of legal Latino immigrants. This telephone survey included 1,636 individuals nationwide who were sampled on the basis of being a Latino immigrant who had become or was eligible to become a U.S. citizen. The variables included age, sex, marital status, reasons for immigration, acculturation, language use, education, employment, household income, home ownership, attitudes toward U.S. citizenship, voter registration, and perceptions of discrimination. We used the findings of this study for comparisons with our estimates of the socioeconomic characteristics of

recent legal immigrants. The NALEO sample, however, was primarily of pre-1980 immigrants which limited generalizations to the recent legal immigrants.

Table A.1. Total Population of Los Angeles County

Age	1980 Census	January 1, 1992
Under 18	2,326,000	2,505,000
18+	6,537,000	6,682,000
<b>TOTAL</b>	<b>8,863,000</b>	<b>9,187,000</b>

Table A.2. Estimated Subpopulations of Los Angeles County, April 1, 1990

Age	Amnesty Persons	Recent Legal Migrants	Undocumented Residents	Other Foreign-Born	TOTAL
Under 18	47,000	114,000	117,000	118,000	396,000
18+	671,000	455,000	466,000	909,000	2,501,000
<b>TOTAL</b>	<b>718,000</b>	<b>569,000</b>	<b>583,000</b>	<b>1,027,000</b>	<b>2,897,000</b>

Table A.3. Estimated Subpopulations of Los Angeles County, January 1, 1992

Age	Amnesty Persons	Recent Legal Migrants	Undocumented Residents	Other Foreign-Born	TOTAL
Under 18	47,000	126,000	140,000	118,000	431,000
18+	671,000	506,000	559,000	990,000	2,726,000
<b>TOTAL</b>	<b>718,000</b>	<b>632,000</b>	<b>699,000</b>	<b>1,108,000</b>	<b>3,157,000</b>

Table A.4. Estimated Citizen Children of Subpopulation of Los Angeles County, January 1, 1992

Amnesty Persons	Recent Legal Migrants	Undocumented Residents	Other Foreign-Born	TOTAL
301,000	228,000	252,000	496,000	1,276,000



## APPENDIX B

### *Assumptions in Calculation of Households and Income Distributions*

The households that describe each group are built from the number of adults that we have estimated belong to that group and the social and economic description that we have constructed of the households in which those adults live. Following is a description of the data sources and the calculations that generated the household and family income counts.

#### *Amnesty Population*

The primary data source on the IRCA population is the Westat Legalized Population Survey. The Westat survey, however, did not have all the required data. This was supplemented by other sources, defining as closely as possible a comparable demographic group. From the Westat survey was obtained the distribution of adults by household income and age of household head, the average number of families/unrelated individuals per household, the average income of families/unrelated individuals and the labor force participation rate.

#### *Undocumented Population*

To estimate the economic and demographic characteristics of the undocumented population we have looked at the characteristics of the most recent amnesty immigrants (those who migrated to the United States after 1978.) The majority of the amnesty population is Hispanic and we assume the same is true for the undocumented population. The 1990 Census indicates that the Hispanic population has a higher household size than the general population. The amnesty population has an even larger household size than the overall Hispanic population, and we have assumed that the same is true for the undocumented population.

The Westat data did not indicate any real differentiation between the post and pre-1979 populations. In the revenue model, we assumed the undocumented to be a slightly younger and lower income population than the amnesty population.

### *Recent Legal Immigrants*

Our assumption is that this population will be slightly older and higher income than the other two immigrant populations. The basis for this is the assumption that the population will contain significant numbers of immigrants who were already in Los Angeles when they received their legal immigrant status. Another group of these immigrants will be those who were admitted because they are skilled workers. Finally there will be a significant proportion of legal immigrants from countries with higher educational levels, and these workers should be in higher paying occupations than the above two groups. Because the group is generally young, however, and has a significant number of unskilled workers we assume the income level is lower than that of the general population. We constructed an income distribution of the composite of the hispanic and Asian populations in the 1990 CPS and that distribution was used as a guide in constructing the income and age characteristics of the recent legal immigrants.

### *Rest of the Population*

The remaining population group is calculated as a residual. The 1990 Census and the 1990 March CPS were used to construct the same age and income distributions as were constructed for the immigrant populations. The immigrant populations were then subtracted from the total population to yield the "all others" group. Shown in Tables B.1 through B.4 below, is the distribution of adults by income and the average number of adults per household that are used in the revenue model.

**Table B.1 Assumptions of Income Distribution and Household Size Characteristics of Recent Legal Immigrants**

<b>RECENT LEGAL IMMIGRANTS</b>		
<b>Household Income</b>	<b>Distribution of Adults</b>	<b>Adults per Household</b>
Less Than \$ 15,000	18.6%	2.3
\$ 15,000 - 29,999	30.8%	2.5
\$ 30,000 - 54,999	31.8%	3.0
\$ 55,000 - 79,999	13.2%	3.3
\$ 80,000 - 129,999	4.4%	3.5
\$130,000 or More	1.2%	3.0
<b>AVERAGE</b>		<b>2.74</b>

**Table B.2 Assumptions of Income Distribution and Household Size Characteristics of Amnesty Population**

<b>AMNESTY POPULATION</b>		
<b>Household Income</b>	<b>Distribution of Adults</b>	<b>Adults per Household</b>
Less Than \$ 15,000	25.9%	2.8
\$ 15,000 - 29,999	42.8%	3.0
\$ 30,000 - 54,999	25.9%	4.0
\$ 55,000 - 79,999	4.8%	4.1
\$ 80,000 - 129,999	0.6%	4.0
\$130,000 or More	0.0%	—
<b>AVERAGE</b>		<b>3.17</b>



**Table B.3 Assumptions of Income Distribution and Household Size Characteristics of Undocumented Persons**

<b>UNDOCUMENTED PERSONS</b>		
<b>Household Income</b>	<b>Distribution of Adults</b>	<b>Adults per Household</b>
Less Than \$ 15,000	30.7%	2.7
\$ 15,000 - 29,999	39.7%	3.1
\$ 30,000 - 54,999	28.6%	4.2
\$ 55,000 - 79,999	1.0%	4.5
\$ 80,000 - 129,999	---	---
\$130,000 or More	---	---
<b>AVERAGE</b>		<b>3.21</b>

**Table B.4 Assumptions of Income Distribution and Household Size Characteristics of All Other Persons**

<b>ALL OTHERS</b>		
<b>Household Income</b>	<b>Distribution of Adults</b>	<b>Adults per Household</b>
Less Than \$ 15,000	12.1%	1.3
\$ 15,000 - 29,999	15.8%	1.7
\$ 30,000 - 54,999	29.2%	2.0
\$ 55,000 - 79,999	21.8%	2.5
\$ 80,000 - 129,999	14.4%	2.6
\$130,000 or More	6.7%	2.8
<b>AVERAGE</b>		<b>2.01</b>

## ***Assumptions in the Calculation of Taxes***

### ***Income Taxes***

Income taxes, both Federal and State, are assessed on the family or unmarried individual. We are assuming, as indicated by both the Westat survey and the CPS, that immigrant households are more likely to contain 2 or more families than are other households. We, therefore, computed taxes for one family household and for each tax unit in multi-family households. From the CPS we determined the distribution of households by number of families. Similar data were available from the Westat survey of the amnesty population, although little information was available about the amount of income in secondary families. Using these data as a guide and controlling the number of households to the County total households as of January 1, 1992, a matrix of household composition/income distribution was constructed for each of the four groups.

The income data describing these groups is total income. From this we must get to taxable reported income. Some sources of income are not required to be reported (some examples are tax free interest income and welfare income) and some income that is reported is not taxable. In the model, we try to account for both these factors.

First, the model estimates how many potential tax paying units actually file tax returns. A study that reported on tax withholding for immigrants was done in 1988 by David North. The North study summarized a group of studies conducted both in the U.S and Mexico and reported that the average of these studies would indicate that 56% of undocumented workers and 83% of documented immigrants have taxes withheld from their wages. Both the amnesty population and the recent immigrants are assigned the 83% rate while the undocumented are assigned the 56% rate. In this study we used that as a proxy for the percentage who file tax returns. For the "all other" group we estimated that 95% file tax returns.

It should be noted that the actual rates of tax compliance are largely unknown. Many of the people who do not file are not required to file because their income is below the statutory filing requirement. In each group we assume the lowest rates of compliance are at the lowest income levels. Some researchers, looking at tax compliance by employment sector report that in the sector known as informal services, which includes domestic workers, child care workers and gardeners, only 20% of income is reported for personal taxes. While immigrant workers represent a significant proportion of this sector, they also represent large proportion of workers in manufacturing, where tax compliance is high.



Not all income is required to be reported for tax purposes. Welfare income, disability income, and tax free interest, are among the sources that are not in Adjusted Gross Income (AGI). The model assumes adjusted gross income represents 95% of total income at the lowest income levels, and for the highest income groups we assume that AGI represents 80% of total income. Those over 65 years of age have lower rates of reporting since Social Security income is only partially taxable at the federal level and completely tax free at the state level.

Finally, of those who file, not all have taxable income. For federal income taxes a single person with less than \$5,500, or a married couple with less than \$10,000 income, is not required to file a tax return. Social security income for low income families is not taxable. Welfare and disability income is not taxable. The limits are even more generous at the state level. Many people at these income levels file a return to obtain a refund, either of taxes withheld or the refundable credits available from both the state and federal governments. Even for those who have incomes high enough to require filing of tax returns many have no taxable income because of credits and exemptions. This is especially important at the lowest income levels. We calculated the percentage of tax returns, by income group, that were taxable as reported by the IRS and FTB. Effective tax rates for those with taxable income were calculated from published IRS and FTB data. High income taxpayers paying alternative minimum taxes tend to inflate the effective tax rates at the lowest AGI levels. The tax rates at the lowest levels were calculated using tax rules for a family at the lowest incomes. Taxes paid were then calculated by multiplying the effective tax rate by the family income for each age/income and demographic group.

### *Social Security Taxes*

Social security taxes are, in a sense, both an income tax and a payroll tax. In this model the entire social security/medicare tax is assumed to be paid by the worker. The combined social security and medicare tax rate (nominal) is 15.3% for the first \$55,550 of income in 1990. The hospital portion of the social security extends to the first \$130,000. For wage and salary employees, half the tax is actually paid by the employer. Both the amount paid by the employer and the employee is based on wage income, but only the employee's portion is subtracted from take-home pay. For self-employed workers, the entire amount is calculated on net income. Because employees thus have some non-taxable income, for social security purposes, there is a discrepancy in the tax rate of wage and salary workers compared to the self-employed. The IRS thus allows the self-employed to deduct half of the self-employment tax and to pay an effective tax rate of 14.1%. While all these complexities cannot be accounted for in this model, we have applied a social security tax rate of 14.1% for wage and salary income. Not all income is earned income however, especially for higher income individuals. In the model we have assumed



that workers earning less than \$15,000 have only wage and salary income. Thereafter, the proportion of income that is wage and salary income declines so that at about \$50,000 about 85% of income is wage and salary income. After the maximum contribution is reached (\$10,800), the contribution stays constant and the effective rates continue to decline with income.

Another factor that affects the contribution of individuals to social security is source of income. Unearned income sources, such as interest income, welfare income, rent and royalty are not taxable for social security. To have earned income one must be in the labor force. Several sources were examined to determine labor force participation rates in these groups. Both the work of George Borjas (1990) and Leo Chavez (1988) indicate that males in the documented and undocumented groups have labor force participation rates comparable to that of United States male natives. All the sources indicate that labor force participation rates for female immigrants are lower than for native females. The net result is that the overall labor force participation rate of immigrants is somewhat lower than that of non-immigrants. By contrast the Westat survey indicated that the amnesty population has a higher labor force participation rate than the general population. We applied the Westat rates to the amnesty and the undocumented populations. No age specific data was obtained. Labor force participation rates for California's White and Black population (W/B) are used in the model as a proxy for the "all Others" group and the Asian/Hispanic rate is used as a proxy for the recent legal immigrants. Data were obtained for these last two age/ethnic groups from the 1990 CPS. For the population aged over 65, the same labor force participation rates were assumed for all groups.

**Table B.5. Labor Force Participation Rates Assumed in the Model**

<b>Age</b>	<b>Recent Legal Immigrants</b>	<b>Amnesty Population</b>	<b>Undocumented</b>	<b>All Others</b>
20-34	.78	.83	.83	.80
35-64	.74	.83	.83	.74
65+	.13	.13	.13	.13

*Source: 1988 CPS, California and the Westat Survey*

The final parameter to be considered in calculating social security taxes is whether the employed person is in a job for which social security taxes are collected. The primary group of jobs excluded from social security coverage are government jobs. The Employment Development Department of the State of California indicates that in 1990, 12.5% of the jobs in Los Angeles County were government jobs. The 1990 Census indicated that about 12% of the population is employed in government jobs. Some government workers, however, are covered by social security. Federal workers hired after 1986, some State and City employees and non-credentialed school employees are all covered by Social Security. It is assumed that no undocumented and few IRCA workers are employed in government jobs. This has the effect of concentrating those exempt jobs in the other two groups. It is difficult to know how this translates into persons covered, however, since a person may hold two jobs, one in a covered sector and one in an uncovered sector. The assumption is made that 9% of the "recent legal" and 10% of the "other" groups are employed in exempt sectors.

### *Property Taxes*

The property tax calculation is done on the household unit. A household in our model is composed of one or more adults. The average number of adults per household is shown Tables B1 through B4. The property tax calculation is based on the income of the household. Lower income households are assumed to pay a higher percentage of their income in property taxes than does a high income household, although high income households will on average pay a higher total amount or property tax. For renter households it is assumed that only half the property tax is paid by the renters, the other half being paid by the owner of the property. The same proportion of income allocated to property tax is used for each of the four population

study groups (Recent Legal Immigrants, Amnesty Population, Undocumented Persons, and All Others). The proportion of income that goes to property tax does however vary by age group. The basis for this assumption is that, especially for owners, the younger households would have bought the property more recently and therefore have fewer benefits from Proposition 13. Elderly households on the other hand will pay a higher proportion of their income in property taxes than do the middle aged household, simply because incomes goes down on retirement.

The initial allocation was based on the work of Robyn Philips (1988) which indicated that the above segmentation by age, but not by income. The average for each age group was assigned to the middle income group in each age group. To scale by income within an age group, published data from the Los Angeles sample of the American Housing Survey on property taxes paid by income group served as a guide.

The proportion of income that was assumed to go to property tax is shown in Table B.6 on page 103.



**Table B.6** Proportion of Household Income Paid to Property Tax  
By Age of Household Head and Income

Head Aged less than 35	
Income	Proportion to Property Tax
Less Than \$ 15,000	0.04
\$ 15,000 - 29,999	0.03
\$ 30,000 - 54,999	0.025
\$ 55,000 - 79,999	0.022
\$ 80,000 - 129,999	0.021
\$130,000 or More	0.018
Head Aged 35-64	
Less Than \$ 15,000	0.03
\$ 15,000 - 29,999	0.025
\$ 30,000 - 54,999	0.022
\$ 55,000 - 79,999	0.02
\$ 80,000 - 129,999	0.016
\$130,000 or More	0.011
Head Aged 64	
Less Than \$ 15,000	0.035
\$ 15,000 - 29,999	0.03
\$ 30,000 - 54,999	0.029
\$ 55,000 - 79,999	0.025
\$ 80,000 - 129,999	0.02
\$130,000 or More	0.015

Let  $PI$  = the proportion of income paid in property tax as shown in Table B.6. For each age/income group within the four populations the property tax paid is then calculated:

**Owner Households:**

Number of Owner Households= Number of Households in  
Population/Age-head/Income Cohort x  
Ownership Rate of Cohort  
Property Tax= Number of Households in Cohort x  
Average Household Income x PI

**Renter Households:**

Number of Renters=Total Households in Population/Age-head/Income  
Cohort - Number of Owner Households  
  
Property Tax=Household Income x PI x 0.5  
(Assumes that half the tax is paid by landlord)

Table B.7 gives average value of property taxes paid by household income as calculated by the above method. Remember in these results that the lowest income category is primarily composed of renters and thus the taxes paid on the average unit occupied by the household is higher than the average tax paid by the households.

**Table B.7 Average Value of Property Taxes Paid  
By Household Income**

<b>Income Group</b>	<b>Average Property Tax Paid Per Household</b>
Less Than \$ 15,000	\$227
\$ 15,000 - 29,999	\$407
\$ 30,000 - 54,999	\$748
\$ 55,000 - 79,999	\$1170
\$ 80,000 - 129,999	\$1501
\$130,000 or More	\$3193

***Lottery and Excise Taxes***

These taxes were allocated on a per adult basis in each population, making them the most regressive of the taxes in the study. The excise tax rates, for both the federal and state revenue, were obtained from the State Board of Equalization. The total amount of tax collected was obtained from the Governor's Budget and the President's Budget for the current year and allocated to Los Angeles County on the basis of

population. The amount derived from each group was then allocated as a percent of the adults in each population. For the lottery, the amount of revenue collected in Los Angeles was obtained from the Lottery Commission. Half of the lottery revenue is distributed to winners so only the half that is kept by the state was included as revenue.

#### *Vehicle License and Registration Fees*

These taxes were allocated to Los Angeles County on the basis of the percentage of all automobiles in the State of California that are registered in Los Angeles County. Within the County these fees were distributed between the three immigrant groups based on the estimate of household income spent on automobiles. That percentage was calculated based on income reported by the 1990 Consumer Expenditure Survey conducted by the U.S. Bureau of Labor Statistics.



**Table B.8. Estimated Revenues Collected from Los Angeles County Subpopulations  
by Government Agency and Revenue Source, Fiscal Year 1991-92**

	Recent Legal Immigrants	Amnesty Population	Undocumented Population	Rest of the Population	TOTAL
<b>Property Tax</b>					
County	\$54,100,000	\$45,200,000	\$35,000,000	\$1,230,800,000	\$1,365,200,000
Other Local	\$58,800,000	\$49,200,000	\$38,100,000	\$1,338,700,000	\$1,484,900,000
TOTAL	\$112,900,000	\$94,400,000	\$73,100,000	\$2,569,600,000	\$2,850,000,000
% of Tax	3.96	3.31	2.57	90.16	100
<b>Sales Tax</b>					
State	\$236,900,000	\$266,900,000	\$168,700,000	\$3,830,500,000	\$4,503,100,000
County	\$1,700,000	\$1,900,000	\$1,200,000	\$27,000,000	\$31,800,000
Cities	\$36,200,000	\$40,800,000	\$25,800,000	\$585,800,000	\$688,700,000
LACTC	\$37,900,000	\$42,700,000	\$27,000,000	\$612,900,000	\$720,500,000
TOTAL	\$312,700,000	\$352,400,000	\$222,700,000	\$5,056,300,000	\$5,944,100,000
% of Tax	5.26	5.93	3.75	85.06	100
<b>Payroll Tax</b>					
FICA	\$553,000,000	\$592,600,000	\$320,500,000	\$10,427,400,000	\$11,893,600,000
Unemploy Insur	\$32,500,000	\$34,800,000	\$18,800,000	\$612,800,000	\$698,000,000
TOTAL	\$585,500,000	\$627,400,000	\$339,400,000	\$11,040,200,000	\$12,592,500,000
% of Tax	4.65	4.98	2.70	87.67	100
<b>Income Taxes</b>					
Federal	\$557,200,000	\$201,300,000	\$72,300,000	\$18,429,200,000	\$19,259,900,000
% of Tax	2.89	1.04	0.38	95.69	100
State	\$118,900,000	\$41,900,000	\$17,200,000	\$5,010,300,000	\$5,188,200,000
% of Tax	2.29	0.81	0.33	96.57	100
<b>Vehicle License Fee</b>					
State	\$40,600,000	\$39,900,000	\$31,100,000	\$659,800,000	\$771,400,000
% of Tax	5.26	5.17	4.04	85.53	100
<b>Vehicle Registration Fee</b>					
State of Tax	\$19,700,000	\$19,300,000	\$15,100,000	\$319,700,000	\$373,800,000
%	5.26	5.17	4.04	85.53	100
<b>Gasoline Tax</b>					
Federal	\$34,400,000	\$33,800,000	\$26,400,000	\$559,300,000	\$654,000,000
State	\$30,300,000	\$29,800,000	\$23,300,000	\$492,900,000	\$576,300,000
TOTAL	\$64,700,000	\$63,600,000	\$49,700,000	\$1,052,200,000	\$1,230,300,000
% of Tax	5.26	5.17	4.04	85.53	100
<b>Excise Taxes</b>					
Federal	\$35,500,000	\$47,200,000	\$39,200,000	\$347,100,000	\$469,000,000
State	\$23,300,000	\$31,000,000	\$25,800,000	\$227,900,000	\$308,000,000
TOTAL	\$58,800,000	\$78,200,000	\$65,000,000	\$575,000,000	\$777,000,000
% of Tax	7.57	10.06	8.37	74.00	100
<b>Lottery</b>					
State	\$16,700,000	\$22,200,000	\$18,500,000	\$163,500,000	\$221,000,000
% of Tax	7.57	10.06	8.37	74.00	100
FEDERAL	\$1,212,800,000	\$909,700,000	\$477,300,000	\$30,375,800,000	\$32,975,400,000
STATE	\$486,500,000	\$451,100,000	\$299,700,000	\$10,704,700,000	\$11,941,900,000
COUNTY	\$65,800,000	\$47,100,000	\$36,200,000	\$1,257,900,000	\$1,398,500,000
OTHER LOCAL	\$133,000,000	\$132,700,000	\$90,900,000	\$2,537,500,000	\$2,894,100,000
TOTAL	\$1,897,800,000	\$1,540,800,000	\$904,100,000	\$44,875,800,000	\$49,208,300,000

Source: Revenue Model

## The FICA Tax

The FICA tax is the single largest tax paid by low income workers. Table B.9, below, shows the percent of total taxes represented by FICA for each of these population groups and the per capita contribution of each group without the FICA tax.

**Table B.9. Population and Per Capita Taxes, With and Without FICA Contribution**

Category	Recent Legal Immigrants	Amnesty Population	Undocumented Population	All Others	TOTAL
FICA as % of Taxes Paid	30%	39%	36%	23%	24%
Per Capita Tax Contribution With FICA	\$2,189	\$1,504	\$943	\$7,051	\$5,348
Per Capita Tax Contribution Without FICA	\$1,545	\$923	\$606	\$5,410	\$4,054

This distinction is important because the FICA tax is different from other taxes in that it does not go to pay for the costs of public services but rather is being placed in a trust fund for each worker, to be paid back to the worker on retirement. The social security system switched from a "pay as you go" system, where the current workers were paying for the retirement of past workers, toward a "pay your own way" system in the 1980s. The new system is building a large surplus in anticipation of the retirement of the large baby boom generation. Theoretically, each generation is now paying for a large portion of its own retirement. The FICA tax is, however, the most regressive of the major taxes. Because only the first \$55,000 of earned income is taxed, low income workers pay at a higher rate than high income workers. In payout, however, the Social Security tax is progressive. A low income worker will have a Social Security income of about 70% of his working income, while the social security income of the high income worker will represent 25% of his pre-retirement income; but both pay in at a 14% rate. It seems reasonable that most of the amnesty and recent legal immigrants will eventually claim their social security contribution. How many of the undocumented workers will in the future draw upon their social security contribution is unknown. To the extent that they do not claim this money, their contribution is a net gain to other workers.

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## ATTACHMENTS



**ATTACHMENT A**

**BOARD OF SUPERVISORS MOTION ORDERING STUDY OF  
IMMIGRATION IMPACTS ON LOS ANGELES COUNTY**







RECEIVED  
JUN 14 1967

MINUTES OF THE BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Larry J. Montellh, Executive Officer  
Clerk of the Board of Supervisors  
383 Hall of Administration  
Los Angeles, California 90012

Chief Administrative Officer  
Director of Health Services  
Director of Public Social Services  
Superintendent of Schools  
Director of Mental Health  
Director of Children's Services  
Director of Community and  
Senior Citizens Services

At its meeting held December 3, 1991, the Board took the following action:

47

Supervisor Dana made the following statement:

"Growing concern exists regarding the mounting financial implications of providing welfare and other government benefits to an expanding population of undocumented aliens, their citizen children, and persons from other States who migrate to California.

"In Los Angeles County, for example, we are currently providing AFDC benefits to approximately 117,000 citizen children of undocumented aliens (23½ of our total AFDC caseload) at a cost of \$318 million with a County share of \$8 million. These children qualify for AFDC on the basis of need and on their citizenship, which is granted to all persons born in the United States, regardless of the status of their mothers. Although foreign born non-citizen parents and children are not eligible for AFDC, they do qualify for health, education and other types of government services.

(Continued on Page 2)

"What intensifies this situation is that starting in May, some 700,000 aliens in Los Angeles County legalized under the 1986 Immigration Reform and Control Act will become eligible for full public assistance benefits. Some 25,000 of these amnesty aliens already receive limited Medi-Cal for emergency and pregnancy related services through Department of Public Social Services.

"Clearly, these numbers indicate a potentially massive increase in demands on existing County resources. There is every reason to believe that increased demand will erode existing resources as caseloads increase for the adults and children of the newly migrated, and newly legalized aliens.

"Given that reality, it is incumbent on this Board to be kept informed of both the fiscal effects these changes will generate, and what steps we can immediately launch to offset these costs which have been mandated in large part as a result of federal actions. Immediate action is necessary because the past has demonstrated that congressional members representing the eastern two-thirds of the United States do not comprehend the full scope of the problem."

Harry Pachon and Valerie Navarro addressed the Board.

After discussion, Supervisor Dana made a motion that the Board instruct the Chief Administrative Officer and the Directors of affected Departments to determine the cost and overall impact to the County for providing welfare, health and other services to undocumented workers, their citizen children and the newly-migrated, as well as to amnesty aliens soon to be eligible to receive benefits.

(Continued on Page 3)



Supervisor Molina offered an amendment to Supervisor Dana's motion that the Board instruct the Director of Internal Services, in consultation with the Chief Administrative Officer and Directors of affected Departments to:

1. Determine the cost and overall impact to the County of providing welfare, health and other services for undocumented persons, their citizen children, the newly migrated, as well as amnesty persons soon to be eligible to receive benefits, including examining these costs relative to the costs of services delivery to all County residents;
2. Estimate all tax and fee, including, but not limited to, benefit assessments, tickets, lottery sales, utility surcharge, sales, and property tax revenues to all respective levels of government from this population, concomitant with service eligibility and demand;
3. Estimate all revenues already accrued to the County and all other levels of government from the recently documented Amnesty (IRCA) population during the period prior to May 1991 during which time County service delivery to the Amnesty population was limited by Federal law;
4. Review and report on existing studies, including but not limited to, research from Rand, the Heritage Foundation, the Center for U.S. Mexico Studies at UC San Diego, San Diego Community College, and UCLA's School of Social Welfare and ongoing research of the economic costs and benefits that the undocumented population is estimated to bring to the County, including a review of studies on all taxes and fees paid by undocumented populations to each level of government relative to services received from that level;

(Continued on Page 4)

5. Develop a system that will allow for written, expert testimony on this issue; and
6. Provide a report to the Board within 180 days, with an interim report due in 90 days.

Supervisor Dana accepted Supervisor Molina's amendments.

Supervisor Antonovich offered an amendment to Supervisor Dana's motion to include in the report:

1. The impact that a legal work permit system patterned after England and other European countries would have;
2. The cost of the underground economy;
3. The cost to individual School Districts, the Justice System and the Probation Department; and
4. An inventory listing of those using Public Housing within the entire County; also include Allen Nelson, the former Director of the Immigration and Naturalization Service and a representative from the Fair Immigration Reform Coalition to also be involved in the study.

Supervisor Dana accepted Supervisor Antonovich's amendment.

After further discussion, it was the consensus of the Board to instruct the Chief Administrative Officer to provide a report within 30 days, outlining the methodology and sources to be used to conduct the study.

Therefore, on motion of Supervisor Dana, seconded by Supervisor Molina, unanimously carried, Supervisor Dana's aforementioned recommendations were adopted, as amended.

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Copies distributed:  
Each Supervisor  
County Counsel  
Auditor-Controller

## **ATTACHMENT B**

### **PROPOSED METHODOLOGY FOR STUDY OF IMMIGRATION IMPACTS ON LOS ANGELES COUNTY**







COUNTY OF LOS ANGELES  
CHIEF ADMINISTRATIVE OFFICE

113 HALL OF ADMINISTRATION, LOS ANGELES, CALIFORNIA 90012  
9-4-1101

RICHARD B. DIXON  
CHIEF ADMINISTRATIVE OFFICER

March 12, 1992

To: Each Supervisor

From: Richard B. Dixon *Richard B. Dixon*  
Chief Administrative Officer

Subject: **STUDY OF THE IMPACT OF UNDOCUMENTED PERSONS AND OTHER  
IMMIGRANTS ON COUNTY COSTS AND SERVICES**

On December 3, 1991, the Board directed that a comprehensive study on the impact of immigration on the County be undertaken. The study is to estimate the cost and overall impact on County services, estimate revenues to all levels of government, review and report on existing studies, estimate the cost to school districts, estimate the impact on the underground economy, and inventory use of public housing in the County.

The Director of the Internal Services Department (ISD) will coordinate the study overall. My office will assist in collecting needed information from County departments and outside agencies for use by the ISD, and we will also provide independent comment on each phase of the study.

The Board also instructed this office to provide a report, outlining the methodology and sources to be used to conduct the study. Attached for your review is the methodology for the study, which was developed in collaboration with the Department of Internal Services. Consistent with your Board's direction that we consult with interested outside parties, we also discussed the methodology with Alan Nelson, former Commissioner of the Immigration and Naturalization Service, Valerie Small Navarro of the Mexican American Legal Defense and Education Fund, and Harry Pachon of the National Association of Latino Elected and Appointed Officials.

Please contact me, or your staff may contact Mark Tajima at 974-1348 if you have any questions.

RBD:GK  
RJT:jsk, *[initials]*

Attachment

c: County Counsel  
Executive Officer, Board of Supervisors  
Director of Internal Services  
Affected Departments

- 8-2 -

WE CONSERVE PAPER - COPIES OF THIS DOCUMENT ARE TWO-SIDED





## PROPOSED METHODOLOGY FOR STUDY OF IMMIGRATION IMPACTS ON LOS ANGELES COUNTY

On December 3, 1991, the Board directed the conduct of a comprehensive study on the impact of undocumented persons, their citizen children, the newly migrated, and amnesty persons. The County departments and agencies, which will play an active role in the study, include:

- Internal Services Department
- Chief Administrative Office
- Department of Children's Services
- Department of Health Services
- Department of Mental Health
- Department of Public Social Services
- Probation Department
- Department of Regional Planning
- Sheriff
- Assessor
- Treasurer and Tax Collector
- Public Library
- Community Development Commission
- Superintendent of Schools
- Countywide Criminal Justice Coordination Committee

The study will include: estimates of the cost and overall impact of immigration on the County; estimates of revenues to all levels of government from the County's immigrant populations, including amnesty persons; a review and report on existing studies on the economic and fiscal impact of undocumented persons; an estimate of school district costs; an analysis of the impacts of the underground economy and of a legal work permit system; and an inventory of uses of public housing.

### Project Management/Coordination

The Internal Services Department (ISD) will coordinate the overall study. The Chief Administrative Office (CAO) will assist in collection of information from other County departments and outside parties and will provide independent comment on each phase of the study. Given the scope and complexity of the study, the participation of many County departments, as identified above, is required. Departments providing direct services will assist in identifying costs and data pertaining to the populations they serve.

The proposed methodology, including a preliminary listing of sources, follows:

**Step 1.      Literature Review and Identification of Available Data Sources**

The Internal Services Department will conduct the technical review of existing studies. The review will include all the studies specified in the Board order: Rand, Heritage Foundation, the Center for U.S. Mexico Studies at U.C. San Diego, San Diego Community College, and UCLA's School of Social Welfare. In addition, with the assistance of the County's Public Library, and outside experts, other studies will be identified. The review will focus on recent studies of immigrant populations in California and will include research on the underground economy and on potential impacts of a legal work permit system. The review will clearly distinguish the types of immigrant populations which were studied and assess the applicability of research findings to our study. The CAO will provide independent comment on the literature review.

Data will be gathered from all levels of government including, but not limited to, the following:

Federal

Bureau of the Census  
Immigration and Naturalization Service (INS)  
Department of Health and Human Services  
Department of Labor  
Congress  
General Accounting Office  
Internal Revenue Service  
Office of Management and Budget

State

Department of Finance  
Health and Welfare Agency  
Franchise Tax Board  
Board of Equalization  
Commission on the Lottery

County

Chief Administrative Office  
Department of Children's Services  
Department of Health Services  
Department of Mental Health  
Department of Public Social Services  
Probation Department  
Treasurer and Tax Collector  
Public Library

## County (Cont.)

Community Development Commission  
Sheriff

Assessor

Countywide Criminal Justice Coordination Committee  
Superintendent of Schools

This phase of the study is made more difficult and time-consuming because of the limited actual data on the County's legal and undocumented immigrant populations. What current County-specific data is available tends to be piecemeal and often is unpublished. Even the actual number of legal immigrants in the County is unknown because they are not required to report current addresses to the INS. Moreover, the immigration status of persons are not identified in the Census, and detailed 1990 Census data on foreign-born persons have not yet been released.

### Step 2. Consultation with Experts and Interested Parties

During this phase, there will be consultation with experts in the areas of immigration, public finance, and demography and with other interested parties, who will be identified by ISD and CAO staff. Outside input will be especially sought on research design issues and elements of the study which rely heavily on non-County sources of information. The CAO will work with ISD to ensure input from a broad spectrum of outside experts and interested parties. There also will be consultation with others who are conducting similar research, including, but not limited to, the following:

- Mellon Foundation-funded Urban Institute case studies of the impact of immigration in selected areas, including Los Angeles County. The Urban Institute is a nonprofit, multidisciplinary research organization with expertise in not only immigration issues, but also on public finance, population studies, and intergovernmental issues. Its staff have just completed its literature review and is beginning its research phase, which coincides closely with ours.
- The current 1991-92 Los Angeles County Grand Jury review of the impact of illegal immigration on the County, which includes an assessment of the costs to the County of providing services to undocumented persons. Price Waterhouse has a contract with the Grand Jury to assist in the study.
- Research on the fiscal impact of undocumented persons in San Diego County, commissioned by a State Senate Committee on Border Issues, which is being conducted by two San Diego State University professors in conjunction with the State Auditor General.

The CAO will provide independent comment on the scope of consultation and the results.



### Step 3. Data Collection

The data collection phase of the study is closely related to the review of the literature and identification of available data sources. County staff have obtained, from the INS, user tapes of a major Federal-funded sample survey of the pre-1982 legalized alien population, which will be extremely useful. Other data on immigrants in the County are also being requested from INS. In addition to immigration data, data is being collected from County departments and outside agencies, as identified in Step 2. The CAO will assist in collecting needed information from County departments and outside agencies for use by ISD.

We will provide independent comment on the availability of relevant data.

### Step 4. Data Analysis and Development of Cost and Revenue Estimates

The data analysis element of the study will be an ongoing process, following the collection of data. The ISD will have overall responsibility for analysis of data and development of cost and revenue estimates, while the CAO will provide for coordination with other County departments and outside parties, including coordinating the review and comments on the estimates. As in other stages of the study, there will be consultation with outside experts and other interested parties in analyzing revenue, cost, and demographic data. In consulting with outside parties, the confidentiality of County records on individuals will be maintained.

This element of the study will include analyses of demographic, cost, and revenue data, as described below:

#### Demographics

Because of the lack of hard demographic data on the County's immigrant populations, a key element of the study will be the development of estimates of the demographic and socio/economic characteristics of the County's legal and undocumented immigrant populations. This profile is especially needed for the revenue estimates. The ISD, in consultation with the CAO and Regional Planning, will prepare demographic and socio/economic analyses of the County's immigrant populations. These analyses will rely heavily on existing studies and data sources, especially INS data on certain categories of legal immigrants, and on Current Population Survey and Census data on foreign-born persons. County staff will consult with INS, Census Bureau, State Department of Finance, Urban Institute, and other demographers familiar with population data on immigrants.

#### Services/Costs

For a number of major program areas, the department/agency which provides the services or has a direct working knowledge of the area will play a major role in developing cost estimates for those services, as specified below:

## Program Area

Health Programs  
Mental Health  
Welfare Programs  
Children's Services  
Justice System

## Lead Agency

Department of Health Services  
Department Mental Health  
Department of Public Social Services  
Department of Children's Services  
Countywide Criminal Justice Coordinating  
Committee (CCJCC)

In these program areas, some actual utilization or survey data exists which can be used in developing cost estimates. For example, certain costs for services provided by the Department of Health Services, Department of Mental Health, Department of Public Social Services, and Department of Children's Services to newly legalized aliens are currently identified by the County in order to claim State Legalization Impact Assistance Grant (SLIAG) funding. In addition, actual caseload data is available on immigrants' use of public assistance programs (e.g., Aid to Families with Dependent Children) for which immigration status is a condition of program eligibility.

For other services for which no data exists or which are equally provided to all County residents, cost estimates will be developed based on the demographic profile of the County's population.

## Revenues

No actual data is collected on taxes and fees paid by immigrants. The use of a sample survey of the County's population to estimate tax revenues is not feasible. Even if it were possible to draw an unbiased random sample of the total population, the reliability of survey responses would be questionable. This is because many, if not most, respondents may not know how much they pay in various taxes (e.g., sales and excise taxes), and may be reluctant to reveal detailed information on their finances and immigration status.

Based on a preliminary review of the research literature, it appears that the best approach to estimating revenues is to base them on a comparison of the relevant demographic and socio/economic characteristics of the immigrant population with tax incidence data. A tax revenue model will be developed by ISD with which to estimate major tax revenues, which account for the bulk of total tax revenues paid to respective levels of government. It is noteworthy that personal income taxes and social insurance taxes (e.g., the Social Security payroll tax) together account for over 80 percent of total Federal tax revenues, while personal income and sales taxes together account for over two-thirds of total State tax revenues, and the property tax is, by far, the biggest source of County tax revenues. To the extent possible, the effects of immigrants on the overall economy, including the underground economy, will be taken into account in the revenue estimates.

The revenue estimates will be more complex than the cost estimates, and the review of the existing research literature and consultation with outside experts will be especially important in the development of the revenue estimates.

The CAO will provide independent comment on each element of the data analysis, including demographics, services/costs and revenues.

Step 5.      Preparation of Draft Report

ISD staff will prepare a draft of the final report following the completion of the data analyses and final cost and revenue estimates. The CAO will comment independently on the draft final report content and findings.

Step 6.      Request for Public Comments

Following completion of the draft final report, the draft report will be circulated for public review and comment prior to submitting the final report to the Board on June 3, 1992. Simultaneously, the CAO will submit independent comments on the final report.

Step 7.      Submission of Final Report

ISD will submit the final report to the Board. The CAO will submit independent comments at the same time.

3/12/92

—copy? —



**ATTACHMENT C**

**LETTER FROM STUART E. GOTHOLD, SUPERINTENDENT OF  
LOS ANGELES COUNTY OFFICE OF EDUCATION**



Stuart E. Gornold  
Superintendent

February 19, 1992

Los Angeles County  
Board of Education

John J. Alderete  
President

Barbara G. Peder  
Vice President

Anne Muller-Bessene

Lewis P. Bohner, Jr.

Maria Elena Gaitan

Marcia F. Voight

Michaelene D. Wagner

Richard B. Dixon, Chief Administrative Officer  
Chief Administrative Office  
County of Los Angeles  
713 Hall of Administration  
Los Angeles, CA 90012

Dear Mr. Dixon:

On January 17, 1992 you requested that the County Office of Education coordinate the development of cost estimates for school districts within the County. This request was part of a December 3, 1991 Board of Supervisors instruction to you that County departments conduct a comprehensive study of the impact of immigration on Los Angeles County. We are sorry to inform you that our Office cannot materially help you in this pursuit, for several reasons that are enumerated below.

First, unlike departments of County government, the Los Angeles County Office of Education's most immediate client base is other organizations (school districts) rather than individuals. A primary function of this Office is to advise and assist school districts whose daily business is the teaching of this County's youth. We do not maintain a student level data base of detailed demographic information on public school students in this County; each school district has its own student information system.

Second, school districts are prohibited by law from collecting information relating to immigration status. The United States Supreme Court has ruled in *Plyler v. Doe* (457 US 202, 1982), that undocumented children and young adults have the same right to attend public primary and secondary schools as do United States citizens and permanent residents. In addition to this right, undocumented students have an obligation under state law, as do all other students, to attend primary and secondary schools until they reach a mandated age.



More specifically to the current request, public schools are prohibited from engaging in practices which may chill the right of access to public schools as established by *Plyler v. Doe*. Public schools are prohibited at any time from:

- Requiring students or parents to disclose or document their immigration status;
- Making inquiries of students or parents which may expose their undocumented status; and
- Requiring social security numbers of all students, as it may expose the undocumented status of students or parents.

If a child's school file should contain information exposing the student's undocumented status, the Family Educational Rights and Privacy Act (FERPA) and various state privacy acts prohibit schools from providing any outside agency--including the Immigration and Naturalization Service--with such information without first acquiring permission from the student's parents.

Even the act of requesting permission of undocumented parents may have the affect of chilling the student's *Plyler v. Doe* right of access and, thus, constitute a prohibited practice.

Given these federal restraints, and given our role to act as an advocate and consul to school districts of this County, we are unable to comply with your request.

Last, representatives of this Office, including myself, have met several times with Mark Tajima of your staff in an effort to determine how, if at all, we may assist you. It was brought to Mr. Tajima's attention by those outside our Office that data collected by the Bilingual Education Office of the State Department of Education, through its Language Census might be of some help to him in his task of estimating documented and undocumented persons who have migrated here, as well as their citizen children, and the amnesty persons soon to be eligible to receive benefits. We have pointed out to him that this Language Census data has severe shortcomings which make its use impossible for the task before him. To briefly summarize these shortcomings: the limited-English proficiency (LEP) data that is collected specifies only that a student is not proficient in

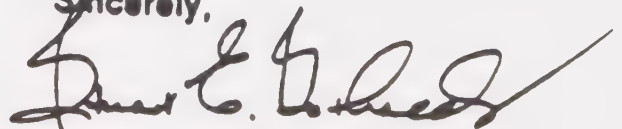
English, and the primary language spoken at home. The Language Census does not indicate the race, ethnicity or country of origin of any pupil, nor does it have any information relating to immigration status, such as citizenship, current legal status of the pupil (documented, undocumented, amnesty, or otherwise), or the place of birth of the pupil or his parents.

As we pointed out to Mr. Tajima, many native-born pupils entering County schools at kindergarten are limited-English proficient. The percentage of LEP students who were native born, versus those who immigrated is unknown: the one published discussion of what percentage of LEP students might be assumed to be immigrants is not referenced with a footnote (it does not appear to be based on a specific study), and it is made clear in that published discussion that it is theirs and anybody else's guess what the relation is between LEP status and immigration. We have heard estimates ranging between 5 and 50% of LEPs being born in the United States. Based upon our study of this issue, it appears that all information on the relation between LEP and immigration status is essentially folklore, based upon whom you talk to, or secondary research with leaps of faith, rather than on primary research.

Nonetheless, we provided that public information to Mr. Tajima at his request with best wishes that he could find some way to use it.

Good luck with this project and I hope that we will be better able to comply with your next request.

Sincerely,



Stuart E. Gothold  
Superintendent

cc: Janice Crawford  
Marilyn Gogolin  
Phil Kauble  
Jim Parker  
Mark Tajima



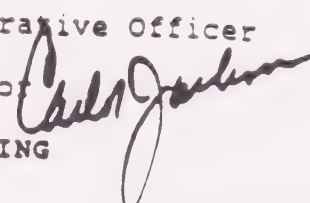


**ATTACHMENT D**

**LETTER FROM CARLOS JACKSON, EXECUTIVE DIRECTOR  
COMMUNITY DEVELOPMENT COMMISSION/HOUSING  
AUTHORITY**



February 11, 1992

TO: Richard B. Dixon, Chief Administrative Officer  
FROM: Carlos Jackson, Executive Director   
SUBJECT: IMMIGRANTS UTILIZING PUBLIC HOUSING

This memorandum is in response to the Board order requesting that the Community Development Commission/Housing Authority survey public housing authorities to determine the number of various categories of immigrants (and their children) who utilize public housing.

The public housing authorities' programs are federally funded and governed by federal regulations. Since 1986, the U.S. Department of Housing and Urban Development (HUD) has prohibited public housing authorities from imposing citizenship requirements on its applicants. On July 31, 1986, HUD issued Notice PIH 86-18 which indicated that public housing authorities were not to require applicants or tenants to provide documents regarding citizenship or alien status.

Subsequent notices from HUD (Notice PIH 86-25, November 24, 1986, and Notice PIH 87-28, October 30, 1987) stated that public housing authorities must refrain from inquiring as to citizenship or alien status of applicants and family members in connection with selection for admission, or for the purpose of determining eligibility for continued assistance. As a result of this federal restriction, no data is available on the various categories of immigrants who use public housing.

If you have any questions regarding this matter or require additional information, please feel free to contact me or Donald J. Smith, Assistant Executive Director, at (213) 260-2030.

CJ:MQ





## **ATTACHMENT E**

### **COMMENTS RECEIVED ON THE STUDY**

**These are all the written comments received  
relative to the many drafts of the report.**





Adjunct Professor of Demography  
Tulane University  
New Orleans, LA

**LEON F. BOUVIER**

3817 Huey Court  
Virginia Beach, VA 23456

(804) 471-2281

Senior Fellow  
Center for Immigration Studies  
Washington, D.C.

**FAX COVER**

Date: May 5, 1992

TO: Manuel Moreno-Evans

FROM: Leon Bouvier



RE: Study of Undocumented Persons

You and your staff are to be commended for the fine job you did given the fact that you were given such little time in which to complete it and that the data needed for such a study are so difficult to obtain -- if they are even in existence! Congratulations and I hope the County Commission appreciates your efforts.

My only comment is that you did not take any under counting into consideration. I realize that you explained your reasons for doing so and I accept them. However, no one really knows how many undocumented persons were omitted from the 1980 and 1990 censuses. The Bureau assumes that 2.1 million were counted. How many were not counted?

You are correct in going along with the Census Bureau methodology. However, somewhere in the report, you should make it clear that your estimates are conservative. It is highly possible that the number could be considerably greater; it is less likely that the number could be lower than your estimate.

Again, congratulations. You did an excellent job.



June 10, 1992

To: Ioannis Pissimissis-Fax-213-487-7142

From: Phillip Martin

re: Immigration Study



PHILIP L. MARTIN  
Professor

UNIVERSITY OF CALIFORNIA  
Department of Agricultural Economics  
Davis, California 95616

(916) 788-1530  
Fax (916) 788-3511

I reviewed the sections of the study that were faxed to me. I agree that the loss of tax revenue due to illegal aliens participating in the underground economy is small; I have no reason to quarrel with the estimate that the majority of illegals have SS and income taxes withheld, and that if all SS and income taxes due from illegals and their employers were paid, the extra tax revenue would be less than 5 % of what the IRS is now missing.

I have 2 suggestions. First, some mention should be made of the requirement that income taxes were first required to be withheld from farmworkers in 1989 or 1990, and that all employers of 50(?) or more have recently had to begin to report to IRS on tape or diskette. In the case of farmworkers, this has made some employers who used to not report (fully) begin to report. There may even be some data available on the number of farmworkers filing or reported since these changes took effect. All of the estimates discussed in the section are quite old, and there have been recent rule changes.

Second, there is surprisingly no discussion of IRCA, illegals, and the underground economy. There is much discussion that IRCA increased both the legal and the illegal (falsely documented) pops. In ag, IRCA seems to have contributed to more labor contractors, precisely the employers most likely to under-report. This also seems to be true in landscaping etc, so that there may be the offsetting effects of tax reporting changes increasing compliance, but the rise of contractors and illegals since IRCA decreasing compliance.

I was surprised to see no mention of possible illegals, underclass, and underground connections. One theory is that illegals hold down wages, thus driving unskilled U.S. citizens into the underground economy, and that this indirect effect of illegals is the most important impact of illegals. I think that such a possibility should at least be mentioned.

On guestworkers, it would help to distinguish between free agent and contract systems--does the alien have to have a U.S. employer before admission or not-- and between immigrants (what the 1990 Act opened up for professionals), probationary immigrants (what Europe's guestworkers were and RAWs would have been, i.e., if needed and good, the alien gets to convert from temporary to permanent status), and temporary



workers(regardless of need and behavior, the alien is earning no credit toward permanent status, as in Kuwait or under the Bracero program). It is true that it is hard to predict the effects of "a" system on LA, but I think it would be useful to make a matrix of the possible options in order to illustrate and begin to evaluate the major systems.

I hope these comments are useful. I am in Wash DC at 202-328-9000 until mid-July, but I would appreciate 2 or 3 copies of the final study sent to me in Ca.




# Center for Immigration Studies

*For The Study of Immigration in The National Interest*

Board Members: The Honorable Chairman, Vernon Riffe, Roger Connor, George Grayson,  
Eugene Katz, Malcolm Ross, Jr., Frank Morris, Elizabeth Padgett, and Siobhan Wierse

June 25, 1992

To: Ioannis Pissimissis  
From: David Simcox   
Subject: Los Angeles County Immigration Study

Dear Mr. Pissimissis:

Thanks so much for letting me see the early drafts of two sections of the Los Angeles County Immigration Study. Here are a few comments I have for you based on a very quick reading.

### Underground Economy

While much of the data you present here on the growth of underground economy, tax losses, and violation of labor standards appears accurate at the national level, anecdotal information suggests that these trends would be much more pronounced in Los Angeles County. There would seem to be data available from the California Department of Labor on the recent efforts to combat the spread of 'sweat shops' in much of California, particularly in the Bay area and Los Angeles.

Examination of 286 garment manufacturers, many of whom were in Los Angeles and Orange County, by California labor investigators in February 1992 found that more than seventy percent were in violation of some provision such as minimum wage, workers compensation, child labor, cash payment and record keeping. Perhaps the California Labor Department would share with you the results of these investigations as they affect Los Angeles County. Substandard labor conditions and poor compliance with tax and labor provisions have an ultimate cost for Los Angeles County in terms of revenue lost and public health and safety costs.

### Potential Impacts of a Legal Work Permit System

Worth noting is that the Replenishment Agricultural

Worker(RAW) Program, to cite as an example among temporary worker programs, resulted in no additional agricultural workers being admitted to the United States. Research conducted by the Department of Labor and Department of Agriculture, as required by law, revealed no labor shortage and no justification for the importation of additional agricultural workers between 1988 and 1991. It would be in the interest of Los Angeles County to have similar disciplined, empirical measures to determine the actual need for temporary workers under prevailing labor market conditions in the event Congress were to enact such a program.

Clearly the Los Angeles County labor market would be significantly affected by such a temporary foreign worker program. Proof for this can be found in the high concentration of petitions for workers in the Los Angeles area now filed with INS and Labor under existing non-immigrant temporary worker provisions(H1, H2, H2A) and the similarly large share of the petitions for employment-related immigration under the new immigrant categories of the 1990 Immigration Act.

The impact of a temporary worker program on Los Angeles County's public finances, labor market, and social services depend immensely on the nature of the workers recruited. If the temporary worker population were intended to be a substitute for the labor supplied by undocumented immigration, the skills and earnings profiles would be similar, with similar consequences for Los Angeles. If more highly skilled workers were to be recruited, the implications for Los Angeles' finances and job market would be considerably different. I would suggest a review of this issue by using existing temporary worker and employment related immigration flows into Los Angeles County as a surrogate for the likely numbers and skills of temporary workers Los Angeles would get under another, similar arrangement.

Thank you for the opportunity to comment. I look forward to seeing the rest of the study.



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July 8, 1992

Mr. Manuel Moreno-Evans  
Project Director  
Internal Services Department  
Los Angeles County  
550 South Vermont Ave.  
Los Angeles, CA 90020

Re: County Study on Immigration Impacts

Dear Mr. Moreno-Evans:

On July 1, 1992, I received a draft copy of the study titled "Impact of Undocumented Persons and Other Immigrants on County Costs and Services". In the Board resolution of December 3, 1991, I, as former Commissioner of the Immigration and Naturalization Service, was designated as a participant in such study ordered by the Board. I have had minimal contact with the study team and the draft was my first opportunity to see the preliminary work.

I am writing each of you at this time because there are some serious flaws in the draft report which need to be corrected. This will require a substantial amount of re-work by the study team. Since there is apparent pressure to finalize the report by the end of July, it is important that the decision makers be aware of these concerns and direct the study team to take appropriate steps to develop the additional required information before the report is finalized.

I will provide a detailed page by page comment within the next week or two. However, since the major concerns listed below require substantial re-work, they are addressed immediately.

My comments specifically address the portion of study relating to illegal aliens (referred to in the report as undocumented persons). While many of the same comments would be applicable to the other categories of immigrants, the illegal alien category is the area of major concern to the County, particularly

as to what steps can be taken to reduce the impacts of illegal aliens on the County budget and services.

1. Costs and revenue projections

The draft lists the costs of illegal aliens to the County, but fails to address such costs to state or federal governments. On the other hand, the draft lists revenues received from illegal aliens from all sources - county, state and federal. To have any objectivity, the report must deal with "apples and apples". Either, only county costs and revenues should be considered or, if revenues from all levels of government are considered, costs to all levels of government must be considered. Los Angeles remains part of the State of California and the United States of America! Cost impacts on the state and federal governments likewise are impacts on the County.

It is hard to know whether there was an interpretation error or a conscious attempt to skew the figures by not placing the costs and revenues in balance. In any event, to have any credibility, the report must use the same formula for both costs and revenues.

2. Work Permit System

Supervisor Antonovich asked, and it became part of the Board motion passed on December 3, 1991, that a study be made of the European style work permit system. Obviously the purpose of such request was that approaches be analyzed to document the legal ability to work and to ensure that only legal workers are employed in Los Angeles county. The report avoids this issue. The Board should direct the study team to pursue this concept, not only to look at European models which could be considered for Los Angeles, but to review other approaches to keep illegal aliens from working in Los Angeles and to see that the jobs go to legal workers, particularly the unemployed and those on welfare. Another aspect would be to address the Los Angeles City operated Job Centers which serve illegal aliens.

3. Housing

The draft report ignores the impacts of illegal aliens in public housing by hiding behind federal regulations release of information. Since most of the draft report uses estimates of illegal alien population, clearly that approach also can be taken with respect to illegal aliens in public housing and the cost thereof. To avoid this area is to ignore a significant cost and impact of illegal aliens on the County.

4. Number of illegal aliens

While it is difficult to estimate the number, it appears that the 699,000 figure is most likely quite low. Also, why 699,000 v. 700,000? It appears that the report is analogous to a store advertisement of an item for \$19.95, giving the impression the cost is less than \$20.00!



5. Welfare

The report indicates that there is "0 cost" to the County for welfare benefits paid to illegal aliens. This is based on the law that illegal aliens are not entitled to welfare. Yet, it is obvious that a number of illegal aliens access the system by: 1) false claims of citizenship; 2) false claims of legal residency; or 3) by failure of the welfare officials to verify status. Some estimate other than "0" certainly is required.

Also in analyzing welfare costs, the costs of citizen children of undocumented aliens could be dramatically reduced if the illegal alien mother either did not come to Los Angeles or left shortly after giving birth to the child, not placing the child on welfare. Since the infant child almost always will accompany the mother who would return to her county of origin, that factor needs to be calculated and addressed in the report.

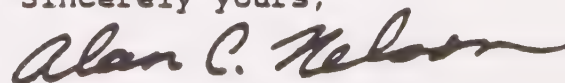
6. Recommendations for Action

While it is difficult for a study team to make definitive recommendations for corrective action, it is naive to have a report on impacts without at least a listing of the types of actions to be considered with respect to illegal immigration and other immigrant categories. On January 31, 1992 I issued a detailed report to Supervisor Antonovich, containing a number of recommendations for County action to reduce the impacts of illegal immigration.

Since the draft report appends letters and comments by education and housing officials, I request my report of January 31, 1992, be appended to the final report. As a designated member of the study group I certainly should be entitled to submit, as part of the report, my opinions and recommendations.

It is essential that the study be re-worked, with appropriate revisions made, so a credible product can be developed which will be of use to Los Angeles County officials and others on the subjects of illegal immigration and the impacts of immigrants on Los Angeles County.

Sincerely yours,



Alan C. Nelson

Former Commissioner  
Immigration and  
Naturalization  
Service (1982-1989)





July 8, 1992

Mr. Manuel Moreno-Evans  
ISD/Urban Research Section  
550 So. Vermont Ave.  
Suite 408  
Los Angeles, CA 90020

Dear Mr. Moreno-Evans:

Thank you for the copy of your "final" draft. I have read it very carefully, particularly the demographic sections.

As I mentioned in my FAX of 5 May, you are to be congratulated for undertaking such a task, given the paucity of appropriate and reliable data.


However, I am concerned that you did not point out that your demographic (and therefore all your other estimates) were necessarily on the low side. I don't question your methodology. I question the use of single, rather than a range, of estimates.

On page 20, you state: "Generally the demographers thought that our estimates of the number of undocumented were reasonable. They emphasized that there was no way of knowing with precision the true number, and that the numbers should be used with an awareness of this uncertainty." But you fail to point out that your numbers are, by definition, conservative.

In Figure 3, you rely on the census estimate of the number of illegals counted in the 1980 census, as your starting point. Elsewhere you correctly explain that it is not possible to take into consideration census undercounts because they are not sufficiently specific for your needs. However, you shouldn't confuse the actual estimated undercounts in the census with the possible omission of illegals derived from the indirect analysis the Bureau undertook to try to estimate the number of such persons who were actually counted. No one has any idea how many illegal residents were not counted. Thus your bottom line number of 699,000 is a low estimate. Unfortunately, because it is 699 and not 700, it may well become "reified" in the minds of readers and media as the "true" number of illegals as of 1992.

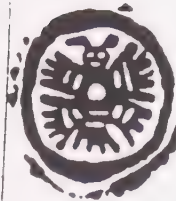
Relying on such weak data sources and methodology as you necessarily must, I would urge to you to produce a range of estimates and not simply one number that ends up sounding so definitive. Short of that, I would urge you to point out in the report that these estimates are low. The true numbers could be significantly higher, but we can't be certain how much higher.

I hope these comments are of some assistance to you as you try to complete this very difficult assignment. Good luck.

Sincerely,  
  
Leon F. Bouvier







**MEMO**

To: Manuel Moreno-Evans  
ISD/Urban Research Section  
550 South Vermont Avenue, Suite 408  
Los Angeles, CA 90020  
fax: 213/487-7142

Fr: Valerie Small Navarro *V. Small Navarro*  
Immigrants' Rights Director

Dt: July 15, 1992

Re: Comments to draft of Impact of Undocumented Persons and  
Other Immigrants on County Costs and Services

Manuel, I appreciate the opportunity to comment on the draft of the report. If you have not already done so, I think it is crucial to obtain comments on this draft from academics including Leo Estrada, David Hayes-Bautista, and Harry Pachon. I will call you later this afternoon to follow up on these suggestions.

**A. The Report Should Estimate All Revenues**

Supervisor Molina's amendment to Supervisor Dana's motion instructed the Director of Internal Services to "[e]stimate all tax and fee (sic) . . . from this population."

Although the ISD was operating under significant time and financial restraints, it is still feasible to estimate tax on profits made by businesses who employ immigrants (see p. 44) as well as the revenue derived from immigrants' dollars in the county economy. These are examples of significant contributions to county revenues that have not been accounted for in the report.

**B. Information Should be Given for Immigrants Relative to the  
Non-Immigrant Use of Services Among People in Poverty**

It is clear from studies done by David Hayes-Bautista that latinos underutilize services relative to the numbers of people in poverty.

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C. Validity of the Statistics Used

INS Data

The INS data base is notoriously inaccurate. A 1989 audit showed that about 17 percent of the data from INS' central alien information repository was missing or incorrect. "Immigration Policy and Law," Vol.4, No.6, Washington, D.C.: Buraff Publications, p.5, (May 3, 1990). The GAO found that internal documentation and oversight problems within the INS were the cause of the poor record quality. See, GAO Report, Criminal Aliens: INS' Enforcement Activities, (November 1987).

In addition, it would be helpful to include information on how INS derived its estimates of the amnesty population (see p.15).

Use of Averages & Per Capita Formulations

Dividing costs of county services per capita is inappropriate where less services are provided in lower income/high immigrant neighborhoods (see p. 29). In addition, the use of average cost per student in calculating educational costs is wrong. Overcrowded school districts, heavily populated by immigrants, spend fewer dollars per child.

D. The Report Should Include Revenues Already Accrued to the County Prior to May 1991 from Amnesty Population

Although Supervisor Molina specifically requested that the Internal Services Department analyze the revenues from this formerly undocumented population, I was unable to find this information in the report.

cc: Supervisor Gloria Molina

David S. North  
3113 N. Kensington St.,  
Arlington, Va., 22207  
Phone: (703) 341 1724  
Fax: (703) 241-1209

July 20, 1992

To: Manuel Moreno-Evans,  
Project Director,  
ISD/Urban Research Section  
Suite 408  
550 S. Vermont Ave.  
Los Angeles, CA 90020

From: David North

Re: Comments on "Impact of Undocumented Persons and  
Other Immigrants on County Costs and Services"

As one who has struggled with the subject for years, let me commend you and your team for a noble effort; you have assembled a very significant body of information. The substance is hard to pin down, and it is never easy to write a report around an outline created by a legislative body.

That said, let me make three sets of comments: 1) on the executive summary; 2) on the suggestions of the other three commentators; and 3) on other matters.

1. Executive Summary. It seems to be that your study has two major findings:

- o County-level revenues from the three populations of interest (\$139,100,000) fall far short of net county costs of these three populations (\$946,705,000).

- o These three populations generate about twelve times as much revenue for other government levels (federal, state and local) as they do for the County of Los Angeles.

Unfortunately, the current presentation is such that it is hard for the reader to comprehend these findings, particularly the first one.

Let me quote to you the second paragraph of the executive summary, tell you why it confused me, and suggest alternative copy:

"The net costs to the County of providing services to all three immigrant groups, and to citizen children of undocumented persons in fiscal year 1991-1992 were estimated



to be \$947 million. These costs include adjustments for intergovernmental revenue received from the State and Federal sources and other program income. The costs by study group are as follows:"

This is followed by a breakout of costs for the three immigrant groups and the USC children of the undocumented; on the next pages are estimates of revenues produced by the three adult populations (the children, correctly, being assumed not to provide any revenue to the County).

I could not tell, even after repeated readings, if "net costs" caused by these populations meant gross costs minus revenues produced by these populations. I have been told, by Nancy Bolton, that the \$946,705,000 is a total cost, and that the estimated \$139,100,000 contribution was not subtracted from it. Further, I gather that the \$946,705,000 figures represents only county funds; this is also not clear from the presentation.

Your team might want to think about the alternative draft language which you will find on attachment A. It could be used in lieu of that part of the report which starts, on page 2 with the heading: "Estimated Costs and Overall Impact on County Services" and ends, in the middle of page 3, with the little table on the generation of revenues for the County.

2. The Other Comments. All three of them have many useful recommendations, and I would encourage you to adopt virtually all of them.

Yes, Dr. Bouvier is right. Ranges of estimates are always better than hard figures, particularly a hard figure of 699,000. I suspect he is right about the estimates being conservative.

Yes, Ms. Small is right that some of the immigrant populations, particularly those barred by law from some of the services, have lower service utilization rates than the native-born poor. I have suggested to Nancy Bolton some specific ways to incorporate that advice. And, yes, Ms. Small is right, Ms. Molina did ask for some information on earlier contribution to the County by the subsequently legalized. (These contributions, of course, should be noted separately, and not stirred in with the 1991-1992 fiscal data.)

Yes, INS data on some matters is sloppy, but having worked with the INS legalization data sets for the U.S. Government and the Ford Foundation over the last five years, I have found this stream of information quite reliable. I would not, however, even if you could, try to calculate the taxes paid by employers of various groups of immigrants. The employers would have hired others had the specific immigrants not been available; there is no shortage of labor in L.A. County.

Yes, I would secure estimates on the state and federal costs

created by the four populations of interest, as suggested by Commissioner Nelson. (In this case you might be doing a little more than requested in the Supervisor's minutes -- but bosses are usually not upset if you do more work than they ordered.)

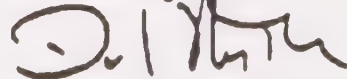
I also agree with his point, which I had arrived at separately, that to conclude that the Department of Public Social Services was never outwitted by ineligible, undocumented applicants for cash assistance and Food Stamps is unrealistic. Similarly, I agree that some estimates could be made of housing utilization by these populations, bearing in mind, of course, that the waiting times probably depress the utilization by newly-arrived immigrants.

My reading of Supervisor Antonovich's request for information on a work permit system -- unhampered by any direct contact with his office -- is different than the Commissioner's. It sounded to me like a request to look at the European experience with guestworker programs -- in terms of a possible urban bracero program -- rather than a request to know more about employer sanctions. (Ms. Bolton has my recent report to the U.S. Labor Department on the lack-lustre enforcement of that program, as well as minimum wage enforcement, in Los Angeles County.)

1. Other Matters. I have marked up a copy of the manuscript with a series of other comments, many technical and/or editorial, and am returning it to the team. Two matters should be mentioned here: first, my calculations of the FICA payments made by the population of interest would be slightly higher (15.1% rather than 14.1% of earned income.) Secondly, while all the other cited studies are helpful, serious pieces of research, Julian Simon's utilization of nationwide 1976 Census data (on a previous, much more affluent generation of immigrants) should be handled with care. There is no way to say this gently: he came to his conclusion that immigrants contribute more the Treasury than they use in social welfare benefits by a deliberate, slanted selection of data, in which he compared the social costs of a young adult group of immigrants to those of the entire US population. (Nancy Bolton has more on this, as does the current issue of the Center for Immigration Studies' publication Scope.)

I was pleased to have a chance to see this work, and hope that you send me the final version. The team did a lot of very solid work in a very short time.

Sincerely



David S. North





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July 30, 1992

Mr. Manuel Moreno-Evans  
Project Director  
Internal Services Department  
Los Angeles County  
550 South Vermont Ave.  
Los Angeles, CA 90020

Re: Los Angeles County Study on Impacts of  
Immigration

Dear Mr. Moreno-Evans:

As a designated member of the Los Angeles County Study on the impacts of immigration, I submit my specific comments on the draft report. On July 8, 1992, I submitted a letter with preliminary comments, noting that there was substantial additional work to be done on the study. Attached is a copy of my letter of July 8, 1992, which is incorporated by reference and I reiterate the points therein.

Other General Points

In addition to the points in my July 8 letter, several other general comments are in order:

1. Conclusions - the report needs to make specific conclusions in a number of areas, particularly on the impacts of illegal immigration.

2. Cross-referencing other Studies and recommendations: In order for the study to have maximum value to County and outside readers, there should be a referencing of other existing and pending County Studies and other reports on immigration.

3. Recommendations or options for action: while there is some difference of opinion, I believe that it would be valuable for the report to list a summary of options for action. All of the participants from MALDEF to FAIR should have the opportunity to

provide such a list of options so that the report can be complete. The report need not attempt to evaluate the recommendations. However by listing them, it establishes a focal point for further action. What is the benefit of a report if it does not give some "road map" for further action?

### Specific Comments

Listed in columns are the page number of the report, the area addressed and my comments.

<u>Page</u>	<u>Report Reference</u>	<u>Nelson Comments</u>
iv	Preface	Need to follow preface with 3-4 page Executive Summary
2		1) Need <u>range</u> rather than specific number. See Bouvier comments 2) Avoid vary specific figures such as 699,000 when obviously number is estimate. If range is not used, at least give general number - i.e. approximately 700,000. 3) 699,000 figure seems unrealistically low. See later comments.
2	Net Costs	Need to define "net costs" -Is it County share of total costs, i.e. %. -If this is approach, then have basis for estimate of <u>federal and state costs</u> .
2	Categories - undocumented persons; citizen children of undocumented persons	-These should be combined (with separate break out), since the children are present only because of the parent. -The category should read: "Undocumented \$399,979,000 -Undocumented persons (\$308,398,000) -Citizen children of undocumented persons (\$91,581,000)

<u>Page</u>	<u>Report Reference</u>	<u>Nelson Comments</u>
2	Costs	Need to add categories for <u>State Costs</u> and <u>Federal Costs</u> . As noted in July 8 letter, must have "apples and apples"-cannot count revenues without counting same costs.
3	Sales Tax	Presume sales tax is included from later report language; needs to be noted.
3	Vehicle License Fees	Should be reference to <u>costs</u> of illegal aliens driving such as accidents, uninsured motorist, law enforcement and court costs, etc.
4	Other local revenues generated	Also need other local government <u>costs</u>
4	Total revenues generated	For undocumented this figure is \$897,800,000. On page 2 net county costs for undocumented is \$308,398. From this format it looks like revenues are <u>3 times</u> costs for illegals. This false impression needs to be corrected by: 1) Calculate all federal, state and other local <u>costs</u> as noted above. 2) Group the education costs together with other costs, so a true picture of costs is presented.
5	School District Costs	This approach properly includes costs to other county entities. This is supportive of my point and needs to be followed for federal and state costs. Following approach noted above, there should be grouping as follows: "Undocumented \$1,030,196,000 - Undocumented children (\$367,927,000) - Citizen children of undocumented (\$662,269,000)



<u>Page</u>	<u>Report Reference</u>	<u>Nelson Comments</u>
6	Underground Economy	Tax revenue loss of less than 5% from undocumented does not seem credible. This should be closely reviewed.
6	Legal Work Permit System	See comments in Nelson July 8 letter.
7	Public Housing	<p>I do not believe reference to court injunction is accurate- I believe the action is strictly HUD administrative action.</p> <p>See comments in July 8 letter. Clearly an estimate is feasible and necessary since immigrants, particularly the undocumented, have a significant cost and other impact on public housing.</p> <p>-At least apply the population % figures</p> <p>-Since high % of low income persons occupy public housing and most immigrants are low income, more accurate to take population % <u>plus</u> additional factor.</p>
8	Chart 1	Also need chart for education costs.
9	Census data	As noted, use a <u>range</u> , at least for illegals.
9	Definition	Undocumented-should add, "...subject to deportation for being in U.S. in violation of immigration laws."
15	P o p u l a t i o n Estimation Methods	It is properly noted that "a series of estimates was necessary". The report should note when an estimate or assumption is used and what criteria is applied. Use ranges as noted. Also use "reality factors" such as % of illegal aliens in prisons, hospital usage, etc. in reaching estimates.

<u>Page</u>	<u>Report Reference</u>	<u>Nelson Comments</u>
16	Amnesty Persons	Were number denied amnesty added to or included in the illegal alien count?
16 17	Undocumented Persons	Report notes "indirect techniques" used to estimate number of undocumented. This is reason to use ranges and "reality factors"
17	Warren & Passel	Review carefully. It seems flawed in its reliance on accurate census and accurate registrations. Not sure adjustments to above are accurate.
18	N u m b e r s     o f undocumented	Difficult to believe undocumented level only rose 40,000+ from 1980 to 1992, even with Amnesty.
19	Undercount issue	This is reason to use a <u>range</u> of illegals.  Report needs to make a reasonable estimate of the undercount to be credible.
20	Number of children	The .90 figure seems low. Is it accurate? Better document the figure or revise.
23	Figure 1	The 2.1 million undocumented in U.S. in 1980 is unreasonably low. In 1970s there were 1 million border apprehensions per year. Most experts say 2-3 enter for every 1 caught. Therefore hard to believe 1980 total of 2.1 million. Better document the figure or revise. Utilize range.
25	Figure 3	See other comments regarding 699,000 figure.

<u>Page</u>	<u>Report Reference</u>	<u>Nelson Comments</u>
26	Studies	Report should clearly note that it does not deal with <u>non-fiscal</u> factors. It should note that no matter what the revenue vs. cost factors are relating to <u>illegal</u> immigration- you cannot justify illegal activity in contravention of laws based on either real or alleged economic benefits flowing from such illegal activity.
28	Summary of studies (top paragraph)	The summaries listed seem to suggest the opposite- that there are more costs than benefits. Clarify. Also separate legal from illegal immigration.
28	Estimating Net County Costs	Be sure this section is not double- counting revenues. It appears this may be the case. Indicate which departments use actual and which use estimated figures. Do same regarding types of services.
29	Higher Costs for illegal aliens (par.3)	This point needs to be highlighted and also included in the Executive Summary and the Report Conclusions.
29	SLIAG (par.4)	This reference supports need to also calculate <u>state</u> and <u>federal</u> costs.
30	No welfare for undocumented	This is a ridiculous statement and must be dropped. Estimates must be made of illegals drawing welfare. If the report adopts the finding that there is no welfare cost for illegals because they are ineligible, then the report must use the same logic regarding employment and revenue as follows: 1) It is against the law for an illegal to work in the U.S. 2) Therefore, no illegals work.



<u>Page</u>	<u>Report Reference</u>	<u>Nelson Comments</u>
		<p>3) Since no illegals work, they have no income.</p> <p>4) Since they have no income, they pay no income taxes</p> <p>5) Therefore, the revenue projections must be greatly reduced!</p>
30	Costs	The reference to federal and state payment and reimbursement is further reason to calculate state and federal costs.
31	Table 5	Using population %, particularly for undocumented, is often unrealistic. In criminal justice system, evidence suggests a higher percent of illegals are "users" than their % of the population. In many cases other multipliers therefore should be used.
32	Table 6	Same comments as above. As noted the "0" figure for Public Social Services for Undocumented must be changed. Is the \$16,164,000 figure for public social services for citizen children of undocumented less the federal/state contribution? Clarify.
33	Grand Jury	<p>The Grand Jury recommendations should be addressed, at least in general terms. As noted above, there is need to add to the Report:</p> <p>1) Conclusions</p> <p>2) Cross references to other county studies and reports</p> <p>3) List of options for action</p>
34	Property Tax	Clarify how property tax revenues from illegals are calculated. Illegals usually are renters. Often there are multi families present.

<u>Page</u>	<u>Report Reference</u>	<u>Nelson Comments</u>
35	Remittances	Report needs to consider impact of remittances on revenue calculations. If % of income is sent to home country it is not being spent in U.S. This directly impacts sales taxes and other consumer taxes, lottery expenditures, etc.
36	Revenue Model (par. 2 & 3)	The basic assumption that taxes paid are unrelated to immigrant status except by income seems contrary to real world and contrary to statement in report noting that a lower percent of tax withholding occurs with illegals (pg 63)
41-43	Table 7 - 11	The per capita tax items should be included in the executive Summary and Report Conclusions.
44	Low Income Population and Revenues	report acknowledges limited revenues from study groups. Is this properly factored in all the revenue calculations?
45	Tax payments by different groups	Include in Executive Summary and Report Conclusions
47	Table 12	Combine Undocumented and Citizen Children into single figure as noted above. Include the education costs in the Executive Summary and Report Conclusions
49	Categorical Programs	Noted that immigrant children often have special educational needs. These extra costs also should be estimated and factored in the calculations.
51	Persons in public housing unknown	As stated previously, estimates must be made. Since the study groups are low income and housing eligibility is low income, a factor of population <del>plus</del> should be used.

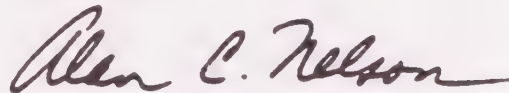
<u>Page</u>	<u>Report Reference</u>	<u>Nelson Comments</u>
51	Court injunction	Verify this. I believe it was strictly HUD administrative action not to inquire about or bar illegal aliens from public housing.
53	Violation of labor standards (last par.)	Such higher violations with respect to foreign workers adds costs which need to be identified and estimated: ie. workers compensation, health and disability, etc.
54-56	Legal Work Permit System	See comments in Nelson letter of July 8, 1992. The fundamental point to address is mechanisms to assure workers are legal.
63	Taxes - 2 or more immigrant families in household	In calculating revenues, ie property taxes paid, is this considered - for example if there are 2 families in the household are each given $\frac{1}{2}$ of the property tax paid? Reasonable estimates and adjustments should be made.
63	Taxes withheld	the report states "56% of undocumented workers and 83% of documented immigrants have taxes withheld from their wages". Is this factored in calculations of revenue? Clearly if only 56% of illegals have taxes withheld, tax revenue estimates need to be adjusted to cover only such 56%.



<u>Page</u>	<u>Report Reference</u>	<u>Nelson Comments</u>
78	Attachments	<p>Add Category to Attachments entitled "Comments of Participants in Study". Each of the participants should have the opportunity to submit specific comments and recommendations to be attached to the report. As a person designated in the Board resolution of 12/3/91 directing the study, I ask that my report dated 1/31/92 be appended. MALDEF and NALEO, as informal participants, even though not designated, should also be allowed to submit written comments and recommendations and likewise have them appended to the report. This approach presents options for future consideration and action, without the Study itself addressing such options.</p>

Thank you for the opportunity to comment. I recommend that a meeting be scheduled of all participants to review and assess the comments received as well as to develop procedures and timetables to finalize the report.

Sincerely,



Alan C. Nelson  
Former Commissioner  
Immigration and  
Naturalization Service

ACN:ps

cc: Each Supervisor  
Chief Administrative Officers  
Gerri Kariya  
Mark Tajima



# National Association of Latino Elected and Appointed Off

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July 30, 1992

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National Director  
NALEO

Mr. Manuel Moreno-Evans  
ISD/Urban Research Section  
550 South Vermont Avenue, Suite 408  
Los Angeles, California 90020

Dear Mr. Moreno-Evans

I've had the opportunity to review the study "Impact of Undocumented Persons and Other Immigrants on County Costs and Services."

I would like to commend you and other staff members on compiling such a comprehensive report on such short notice. Your review of the revenues generated by immigrants as well as the costs gives us the insight that while immigrants bring in \$4.3 billion of revenues to the County, the costs to the County attributable to immigrants is \$0.9 billion. In other words, immigrants account for a net revenue to the County of \$3.4 billion. This finding confirms an opinion held by many of us in the immigration field.

There are, however, some problems with the study's methodology that skew the findings. These are as follows:

o Upon review, the legal migration figures to the County appear low. I realize that you've decreased the figures to account for emigration but I do not see a comparable figure of relocation of legal immigrants who listed other metropolitan areas as their point of entry. By not taking this factor into account the study underestimates the numbers of legal immigrants the County has been receiving and skews the figures towards overestimating the undocumented immigrant population.

o A small point on this issue. You cite the NALEO study which finds that employment, home ownership and work force participation for legal immigrants is very high. Findings for this study are not taken into account because the NALEO sample was primarily of pre-1980

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(312) 277-1440  
Fax (312) 277-1015

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New York, NY 10018  
(212) 861-1111  
Fax (212) 861-1111

immigrants." The study however, does not document what is the basis for finding that pre-1980 immigrants have different characteristics than more recent immigrants.

o On page 33 of the study you cite that inter-governmental transfers, e.g., block grants, are not examined by you. This substantially results in under-estimating the revenues attributable to immigrants. According to the U.S. General Accounting Office, there are over 50 federal revenue sharing programs that use decennial census figures for the allocation of federal formula grants. On a per capita basis this corresponds to \$200 per year/per person. If one only uses the amnesty applicants, recent legal immigrants and other foreign-born population figures, which total close to one million persons, than it appears that this study leaves out -- at a minimum-- \$200 million a year in County revenues attributable to immigrants. In a decade, this revenue would be \$2 billion. Given the magnitude of these figures, the study needs to take this revenue base into account.

o My final comment is on the estimates of the undocumented population. While the study does cite the studies in this area, the documentation gives the impression that the estimates are more exact than is warranted. Care should be taken, and caveats to the reader clearly given, that the numbers associated with the undocumented are based on statistical assumptions that have encompassed wide ranges of error. For example, during the 1980's, when estimates of the undocumented population were made to project the need for State Legalization Impact Assistance Grants, many projections overestimated the size of the undocumented population by as much as 100%.

These are my preliminary comments and I appreciate the opportunity to participate in this study. Please call me if you have any questions.

Sincerely,



Harry Pachon, Ph.D.  
Director





August 25, 1992

Mr. Manual Moreno-Evans  
ISD/Urban Research Section  
550 South Vermont Avenue, Suite 408  
Los Angeles, CA 90020

Re: Impact of Undocumented Persons and Other Immigrants on  
County Costs and Services

Dear Mr. Moreno-Evans:

Although I understand that you have revised the report since I received the draft copy, I am submitting further comments based on that draft because I was not able to obtain a revised version. However, I hope that these comments will still be useful.

I think it would be helpful if the study could present the total cost and benefits to the county of the general population because it may be possible that the general population also takes out of the county more than what it contributes.

It is not clear whether county revenues also include all forms of immigrants' indirect contributions including the state and federal taxes immigrants pay that are then diverted back to the county in the form of state or federal payments that are population based.

Because the estimates for the costs of health services and for public social services for recent legal immigrants are actually for all legal immigrants, regardless of date of entry into the United States, the estimate is therefore too high. Adjustments should be made downward or you should prominently point out this problem instead of it being buried in a footnote.

Pre-1981 immigrants are lumped together with non-immigrants. Instead they should have a category of their own. It is possible that the contribution of long-term immigrants outweighs the cost of recent immigrants, at least partially.

A child is considered a citizen child of an undocumented immigrants if one of his or her parents is undocumented. If one parent is undocumented has it been assumed that the other parent

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Moreno-Evans Letter  
August 26, 1992  
page 2

is necessarily undocumented? If so, would the calculations change if children who have one legal resident parent are excluded.

In addition, because not all children attend public schools, there should be some adjustment made for people who use private schools but nonetheless pay taxes.

Generally, it would be helpful to see the equations of how estimates are derived, for example for property tax, in addition to stating what the source of the equation was.

I hope our these and our prior suggestions have been helpful.

Sincerely,

*V. Small Navarro*

Valerie Small Navarro  
Attorney at Law  
Immigrants' Rights Director

cc: Gloria Molina

# THE URBAN INSTITUTE

2100 M STREET, N.W. / WASHINGTON, D.C. / (202) 833-7200

Jeffrey S. Passel  
Director, Program for  
Research on Immigration Policy

Direct Dial:  
(202) 857-8678

August 26, 1992

Mr. Manuel Moreno-Evans  
ISD/Urban Research Section  
550 South Vermont Avenue, Suite 408  
Los Angeles, California 90020

Dear Mr. Moreno-Evans:

Thank you for the opportunity to read and comment upon your study, *Impact of Undocumented Persons and Other Immigrants on County Costs and Services*. The comments included in this letter are from several researchers here at the Urban Institute. They represent only our own opinions and do not necessarily reflect the views of the Urban Institute.

The study is clearly an ambitious undertaking. It represents a serious attempt to answer a number of difficult questions concerning immigrants and their participation in society. We feel that the study is a positive step towards addressing these concerns, but should not yet be treated as a definitive answer.

The study is somewhat uneven in documenting the assumptions on which the calculations are based. In some instances, very detailed explanations of all of the steps and assumptions are very clearly laid out (e.g., the estimation of the undocumented population). In others, almost no information is given at all (e.g., the distributional assumptions for some of the agencies). For some of the assumptions, a source is given, but no details (e.g., the equation for estimating property taxes). Consequently, most of the assumptions concerning costs are quite difficult to assess.

The overall context of the costs cannot be judged from this report. No corresponding estimates are given for other populations in the county. The various immigrant groups may be no different from other groups or especially from other groups with similar incomes and/or numbers of children. For example, it is possible that, as a group, people with children may generate more costs than revenues, especially when compared with people without children.



Some county funds come from state and Federal payments to the county. Furthermore, many of these funds are allocated back to the county on the basis of population. Do the estimates of county revenues include a portion of the state and Federal funds? Obviously, some proportion of the taxes that generate these funds are paid by the immigrants. In addition, some portion of these funds received by the county can be attributed to the presence of the various immigrant groups. If these funds are not included in your estimates, you have underestimated the contribution of the immigrants.

We have a number of questions concerning the definitions of the target populations and the impact of these definitions on your estimates:

- (1) Immigrants who entered the country before 1981 are treated the same as native-born citizens in the calculations. This group of immigrants should clearly be included in the study. If necessary, the earlier immigrants could be treated as a separate category. By excluding the long-term immigrants, the study almost certainly understates the contributions of immigrants and overstates the per capita costs. It is very likely that immigrants who have resided in the country for longer periods have higher incomes and pay more taxes than the newer arrivals. Also, the earlier immigrants probably have fewer children and use fewer social services.
- (2) In using the Current Population Survey (CPS) and other government surveys to characteristics of immigrants, it appears that the study assumes that all respondents to the survey are legal residents. This is clearly not the case. Many of the respondents are undocumented; in fact, the CPS is a principal basis for estimating the size of the post-1980 undocumented immigrant population.
- (3) A child is considered a "citizen child of an undocumented immigrant" if the child is a citizen and one parent is undocumented. If the other parent is a citizen or legal immigrant, the status of the child would seem to be different. Would the calculations be substantially different if children with one parent who is a legal resident were excluded?

The costs of health services and public social services for recent legal immigrants are actually those for all immigrants, regardless of date of entry into the United States. The cost estimate is therefore too high. These estimates should be adjusted downward.

The various groups have different demographic structures (i.e., age and sex composition). These structures can have differential impacts on some of the assumptions, but in most cases little attention is paid to these basic demographic differences. For example, the same age distribution is used for all groups in estimating the school-age population.

Finally, the impact of immigrants on the economy of the country is given short shrift in the report. Admittedly, many of the effects are very difficult to measure, but they should



MEMO

To: Manuel Moreno-Evans 487-7142

Fr: Valerie Small Navarro

Dt: September 15, 1992

Re: LA County Study on the Impact of Immigrants

Manuel, I've made some suggestions to the Executive Summary. In addition, the changes should be made to the body of the study also. I'm working on more suggestions, but I thought I should get you these before the end of the day.

p.2, After the Demographic Estimates chart:

"Significantly, the Board of Supervisors did not include as part of the study the more established legal immigrants. There are at least 500,000 legal immigrants who were not accounted for in the study because they arrived in the U.S. before April 1, 1980."

p.3, After sentence in last paragraph "The estimates presented are only for household revenues."

"There was no attempt to calculate the revenue generated to the County though the taxes paid by businesses; the multiplier effect of added jobs through new businesses opened by immigrants; nor the effect of added dollars in the County's economy because of immigrants. Though these revenues are significant, we were unable to calculate them due to our own limited resources and time. Therefore, not all the revenues to the County are ~~accounted-~~ fully accounted for."

cc: Gloria Molina

fb:lectycom.com

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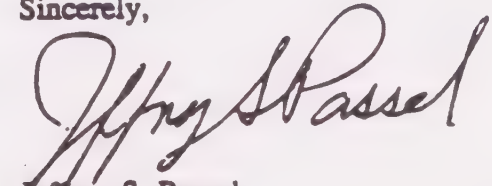
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at least be mentioned. Much of the economic literature on immigrants discusses the job-creation effects of immigration. Thus, were it not for the immigrants, the economy of L.A. county might be smaller, and by more than simply the number of immigrants since there appears to be a "multiplier effect" of immigrants on employment. This effect is more speculative than others, but there are some effects that are measurable. For example, many immigrants own their own businesses. These businesses pay taxes and licensing fees that are not included in any of the calculations. Furthermore, these businesses often employ other immigrants and natives. By excluding this economic component, the study understates the contributions of immigrants.

The study attempts to address a very large range of issues in a relatively small number of pages. The actual documentation for the figures clearly is much more extensive than what is presented. The study represents a significant step toward assessing the impact of immigrants on Los Angeles County.


Sincerely,



Jeffrey S. Passel  
Program Director



Michael Fix  
Senior Research Associate



Rebecca Clark  
Research Associate





MEMO

To: Manuel Moreno-Evans 467-7142

Fr: Valerie Small Navarro *Valerie*

Dt: September 16, 1992

*2 pages*

Re: LA County Study on the Impact of Immigrants

Manuel, here are some additional suggestions from MALDEF to the Executive Summary. (Again, as with the other comments I suggested, changes will also need to be made to the body of the report.) I hope they're still useful. Let me know if you have any questions. Thanks.

**p.2, First sentence:**

We recommend changing the first sentence to read: "Revenues, taxes and fees generated by household income to all levels of government, however, are estimated."

**p.2, Second paragraph:**

I suggest adding the revenue issues that were not analyzed; the paragraph only mentions possible negative factors of immigration. For example, I suggest adding after the clause "such as:" "the revenue generated through taxes paid by businesses, the multiplier effect of jobs added by businesses opened by immigrants, the effect of added dollars in the County's economy due to immigrants."

**p.2, Demographic Estimates Chart**

I recommend putting an asterisk after the "Citizen Children of Undocumented" entry on the chart; and at the bottom of the chart adding the following statement:

- \* Citizen Children of Undocumented are not immigrants. Distinctions among classes of U.S. citizens are prohibited by the Equal Protection Clause of the U.S. Constitution. (Manuel, note that policy decisions made on this basis are also illegal.)

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Moreno-Evans Memo  
September 16, 1992  
page 2

p.4

MALDEF suggests that the last two sections of this portion of the Summary, Estimated Revenues, Taxes and Fees to Each Level of Government, from pages 6 & 7 (Revenues Generated to All Levels of Government and Revenues Generated by the Immigrant Groups to Each Level of Government) be moved to the beginning of the section on page 4. This will start this section of the discussion with the overall picture before breaking down the revenues by level of government.

In addition, we suggest that you add an underlined sentence (as you have done with the costs) at the beginning stating: The three groups of immigrants contributed over \$4.3 billion to all levels of government in the year studied.

p.7, Revenues Generated by the Amnesty Population In their Initial Five Years of Legal Status

I think you should add an introductory sentence stating: "Although, the amnesty population contributed revenues during their initial five years of legal status, they were not eligible for the vast majority of social services. In addition, the revenues reflected in this section are not part of the revenues discussed elsewhere."

p.11, Beginning of the third to last paragraph that starts "Of the revenues . . ."

We suggest that you start this paragraph with an underlined sentence (as you have with the costs): The three immigrant groups contributed over \$4.3 billion to all levels of government in the year studied.

cc: Gloria Molina





TO: MANUEL MORENO-EVANS, ISD  
FROM: Rosalind Gold, NALEO  
SUBJECT: Estimate of Legal Permanent Residents Living in  
Los Angeles County prior to April 1, 1980  
DATE: September 16, 1992

As we discussed, this memorandum will set forth an estimate for the number of legal permanent resident immigrants residing in Los Angeles County immediately prior to April 1, 1980. We believe that the number of non-citizen foreign-born residents in the Los Angeles-Long Beach SMSA as reported in the 1980 Census, 1,172,510 is a reasonable estimate of the legal permanent resident population (see Attachment 1).

The number of non-citizen foreign-born residents in the Los Angeles-Long Beach SMSA as reported in the 1980 Census includes some number of undocumented immigrant residents of the SMSA who responded to the Census. However, it also fails to include some number of residents in the SMSA, the "undercount" of the 1980 Census; additionally, because legal permanent residents share some of the characteristics of those residents most likely to be undercounted (for example, low income and education levels, fear of responding to the Census because of their own or other family members' immigration status, and difficulties completing English-language questionnaires), the number of those undercounted residents includes some number of legal permanent residents. On the national level, according to estimates of demographers such as Warren and Passell, approximately 2.1 million undocumented immigrants were counted in the 1980 Census. However, the total number of undercounted residents of the nation, approximately 2.6 million exceeded the number of undocumented included in that Census. Consequently, we believe that at the very least, the number of undocumented immigrants included in the 1980 Census figure for non-citizen foreign born residents equals the number of legal permanent residents not included in that same figure because of the undercount, and we believe that it is very likely the number not included because of the undercount could even exceed the number of undocumented who were included. Assuming, at the very least, that those two numbers are equal, the 1980 Census figure for non-citizen foreign-born is a reasonable estimate of the legal permanent resident population because the number of undocumented included in that figure is offset by the number of legal permanent residents who are not included.

Please do not hesitate to call me at (213) 262-8503 if you have any questions regarding this estimate.



(DATA ARE ESTIMATED BASED ON A SAMPLE, SEE INTRODUCTION. FOR DEFINITION OF SYMBOLS, SEE INTRODUCTION. FOR ABSTENTION BY YEAR, SEE APPENDICES A AND B.)

LPI ADDED -  
LONG BEACH, CA AREA

	FOREIGN- BORN PERSONS	YEAR OF IMMIGRATION					DEFERRED IMMIGRATION	CITIZENSHIP STATUS		
		1955 70	1956 70	1957 70	1958 70	1959 70		1960 70	ALL CITIZENS	PERCENT OF TOTAL
TOTAL	1 664 705	270 207	240 620	212 933	146 701	100 812	192 330	1 664 705	602 207	1 192 330
EUROPE	216 200	21 721	14 069	21 721	27 228	23 228	20 170	216 200	142 130	72 228
AUSTRIA	7 048	112	108	171	171	171	4 272	7 048	4 272	2 776
BELGIUM	1 419	49	116	171	171	171	171	1 419	1 167	252
BULGARIA	1 419	49	116	171	171	171	171	1 419	1 167	252
CZECHOSLOVAKIA	1 419	49	116	171	171	171	171	1 419	1 167	252
FINLAND	1 419	49	116	171	171	171	171	1 419	1 167	252
FRANCE	1 419	49	116	171	171	171	171	1 419	1 167	252
GERMANY	1 419	49	116	171	171	171	171	1 419	1 167	252
GREECE	1 419	49	116	171	171	171	171	1 419	1 167	252
HUNGARY	1 419	49	116	171	171	171	171	1 419	1 167	252
ITALY	1 419	49	116	171	171	171	171	1 419	1 167	252
LATVIA	1 419	49	116	171	171	171	171	1 419	1 167	252
LITHUANIA	1 419	49	116	171	171	171	171	1 419	1 167	252
NETHERLANDS	1 419	49	116	171	171	171	171	1 419	1 167	252
NORWAY	1 419	49	116	171	171	171	171	1 419	1 167	252
POLAND	1 419	49	116	171	171	171	171	1 419	1 167	252
PORTUGAL	1 419	49	116	171	171	171	171	1 419	1 167	252
ROMANIA	1 419	49	116	171	171	171	171	1 419	1 167	252
SPAIN	1 419	49	116	171	171	171	171	1 419	1 167	252
SWEDEN	1 419	49	116	171	171	171	171	1 419	1 167	252
SWITZERLAND	1 419	49	116	171	171	171	171	1 419	1 167	252
UNITED KINGDOM	1 419	49	116	171	171	171	171	1 419	1 167	252
IRELAND	1 419	49	116	171	171	171	171	1 419	1 167	252
NORTHERN IRELAND	1 419	49	116	171	171	171	171	1 419	1 167	252
SCOTLAND	1 419	49	116	171	171	171	171	1 419	1 167	252
WALES	1 419	49	116	171	171	171	171	1 419	1 167	252
YUGOSLAVIA	1 419	49	116	171	171	171	171	1 419	1 167	252
OTHER EUROPE	1 419	49	116	171	171	171	171	1 419	1 167	252
ASIA	216 200	21 721	14 069	21 721	27 228	23 228	20 170	216 200	142 130	72 228
CHINA	1 419	49	116	171	171	171	171	1 419	1 167	252
HONG KONG	1 419	49	116	171	171	171	171	1 419	1 167	252
INDIA	1 419	49	116	171	171	171	171	1 419	1 167	252
JAPAN	1 419	49	116	171	171	171	171	1 419	1 167	252
KOREA	1 419	49	116	171	171	171	171	1 419	1 167	252
MALAYA	1 419	49	116	171	171	171	171	1 419	1 167	252
PHILIPPINES	1 419	49	116	171	171	171	171	1 419	1 167	252
THAILAND	1 419	49	116	171	171	171	171	1 419	1 167	252
VIETNAM	1 419	49	116	171	171	171	171	1 419	1 167	252
OTHER ASIA	1 419	49	116	171	171	171	171	1 419	1 167	252
WEST CENTRAL AMERICA	216 200	21 721	14 069	21 721	27 228	23 228	20 170	216 200	142 130	72 228
CUBA	1 419	49	116	171	171	171	171	1 419	1 167	252
GUATEMALA	1 419	49	116	171	171	171	171	1 419	1 167	252
HONDURAS	1 419	49	116	171	171	171	171	1 419	1 167	252
NICARAGUA	1 419	49	116	171	171	171	171	1 419	1 167	252
PANAMA	1 419	49	116	171	171	171	171	1 419	1 167	252
PERU	1 419	49	116	171	171	171	171	1 419	1 167	252
VENEZUELA	1 419	49	116	171	171	171	171	1 419	1 167	252
OTHER WEST CENTRAL AMERICA	1 419	49	116	171	171	171	171	1 419	1 167	252
SOUTH AMERICA	216 200	21 721	14 069	21 721	27 228	23 228	20 170	216 200	142 130	72 228
ARGENTINA	1 419	49	116	171	171	171	171	1 419	1 167	252
BRAZIL	1 419	49	116	171	171	171	171	1 419	1 167	252
CHILE	1 419	49	116	171	171	171	171	1 419	1 167	252
COLOMBIA	1 419	49	116	171	171	171	171	1 419	1 167	252
ECUADOR	1 419	49	116	171	171	171	171	1 419	1 167	252
PARAGUAY	1 419	49	116	171	171	171	171	1 419	1 167	252
PERU	1 419	49	116	171	171	171	171	1 419	1 167	252
VENEZUELA	1 419	49	116	171	171	171	171	1 419	1 167	252
OTHER SOUTH AMERICA	1 419	49	116	171	171	171	171	1 419	1 167	252
AFRICA	216 200	21 721	14 069	21 721	27 228	23 228	20 170	216 200	142 130	72 228
NORTH AFRICA	1 419	49	116	171	171	171	171	1 419	1 167	252
EGYPT	1 419	49	116	171	171	171	171	1 419	1 167	252
OTHER AFRICA	1 419	49	116	171	171	171	171	1 419	1 167	252
ALL OTHER COUNTRIES COUNTRY NOT REPORTED	1 419	49	116	171	171	171	171	1 419	1 167	252



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October 28, 1992

Mr. Manuel Moreno-Evans  
Internal Services Department  
Urban Research Section  
550 South Vermont, Room 408  
Los Angeles, California 90020

Dear Mr. Moreno-Evans:

Comments on the Immigration Study

I finally had a chance over the weekend to read the final draft. I hate to see the label "final" because the study seems to improve with time and exposure to interested parties. Nevertheless, I have some concerns and suggestions I'd like you to consider.

1) It's unfortunate that tax revenue/fees from immigrant owned and/or frequented businesses are not included. Absent that estimate for businesses, many of which also employ immigrants, the revenue numbers are understated. This is especially the case for county revenue since commercial-industrial property is 37% of our tax base. Not providing some estimate of immigrant related business revenue effectively attributes that revenue to the "rest of the population" which is not accurate. I think it would be more accurate to come up with some estimate, however rough. Judging from the Muller and Espenshade (1958) study, it can be done. Since the costs for services in many departments were apportioned based on the county's demographic profile, why not apportion business taxes and fees on that basis?

2) In light of the national debate about immigration and its impact on the economy, it would be helpful to enlarge the "economic impacts" literature review in chapter IV. While your research necessarily focuses on the narrow issue of costs and benefits to county government, the fact is immigration is allowed or tolerated for its economic, political and social consequences. It may well be (in fact probably is) the case that immigrants as a class are and always will be a net cost to county government but a net



gain to the county economy. That possibility deserves fuller exploration.

3) I think there should to be a adjustment on the cost side to reflect the \$50-60 million the county will receive in SLIAG funds as reimbursement for services rendered to the amnesty population in the study year FY 91-92.

4) I realize the Board motion asked you to focus on recent immigrants. However, there will be a natural tendency for readers and others to generalize about immigrants as a whole. The study only covers immigrants since 1980. However, you point out that in 1980 there were 1.1 million legal permanent residents in the county. In addition there were almost half a million naturalized citizens. Both groups are arguably immigrants and those still alive and living in the county today are paying taxes and using services. Because of the 1980 cutoff this large group of well over 1 million immigrants ends up being counted in the "rest of the population" category. Because they tend to be older and better off financially, this group probably pays more taxes and consumes fewer services than recent immigrants. At a minimum this caveat should be made somewhere (perhaps in an Introduction which acknowledges some of the methodological and data limitations) because the bias from not going back before 1981 is to overstate the net cost of immigrants.

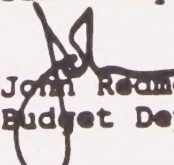
5) The analysis of school district costs is the least satisfactory part of the study. That's because the limitations of the study's methodology--a cost-benefit analysis at a point in time--are most apparent here. Unless one takes a longer, historical view public schools will always be a losing proposition, regardless of their ethnic or economic makeup. Kids don't pay taxes and their parents' taxes only cover a fraction of the costs, costs that are very high. Such costs only make sense if you view them as a social investment by people and institutions (corporations, for example) who may not have children yet have an enormous stake in the next generation of citizens and workers. Newly arrived immigrants are like children in that respect. Regardless of their country of origin, society has to make a sizeable investment in them until they become established and begin to pay their way. The study's methodology doesn't allow for this longer view, a limitation that is compounded by the exclusion of pre-1980 immigrants. At a minimum it would seem appropriate to add some acknowledgment of the fact that adult immigrants represent human capital and bring with them the accumulated investment of their native country (including advanced degrees in many cases) that helps to balance the cost of educating their children.



6) The above discussion of school costs raise a basic methodological limitation that I believe should be explicitly stated in the report. Cost-benefit analysis is seemingly neutral or judgment free. But in fact it tends not to be because of an implicit or culturally based assumption that things that don't pay for themselves are not good or are at best suspect. It's important to stress that the focus of the study is quite narrow--the costs and benefits of recent immigration to county government in fiscal year 1991-92. The cost-benefit to the economy and society or to higher levels of government is not addressed. Nor can we conclude that cost-benefit findings for the county will be true ten years from now or were true ten years ago. The snap shot the study represents is being taken after a decade that probably saw the largest influx of immigrants in the county's history, before those immigrants had a chance to establish themselves economically and during the worst economic crisis this state and region have experienced since the Depression. Given these odds, there is no way a cost-benefit analysis could show positive results. The study does document convincingly that the county is paying more than its fair share of the costs of absorbing the huge influx of immigrants (legal and otherwise) that federal policy allows and that federal and state policy and court decisions mandate that we serve. But it does not answer whether immigration has been or will be beneficial to the larger society and economy. I know you understand the distinction but I'm not sure the casual reader will. So I think it's important to say something up front--on p 1 of the Executive Summary or in an Introduction--that makes clear what the study is not, as well as what it is.

I hope these comments and suggestions are taken in the spirit in which they are offered--as constructive suggestions and additions to an interesting and important research report. I appreciate the patience and professionalism you and your co-workers have displayed. If you have any questions, don't hesitate to call.

Sincerely,

  
John Redmond  
Budget Deputy

JR/sl

cc: Honorable Gloria Molina  
William F. Stewart, Director

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